

# Report and Financial Statements of Enel SpA at December 31, 2010





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# Report on operations



# The Enel structure

## Corporate Enel SpA

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### 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  
SE Hydro Power  
Enel Stoccaggi  
Enel Longanesi Development  
Sviluppo Nucleare Italia

### Engineering and Innovation

Enel Ingegneria  
e Innovazione

### Infrastructure and Networks

Enel Distribuzione  
Enel Sole  
Deval  
Enel M@p



## Iberia and Latin America

Endesa

## International

Slovenské elektrárne  
Enel Maritza East 3  
Enel Operations Bulgaria  
Enel Distributie Muntenia  
Enel Distributie Banat  
Enel Distributie Dobrogea  
Enel Energie Muntenia  
Enel Energie  
Enel Productie  
Enel Romania  
Enel Servicii Comune  
RusEnergosbyt  
Enel OGK-5  
Enel France  
Enelco  
Marcinelle Energie

## Renewable Energy

Enel Green Power  
Enel.si  
Enel Latin America  
Enel Green Power España (formerly Endesa Cogeneración y Renovables)  
Enel Unión Fenosa Renovables  
Enel Green Power Romania  
Enel North America  
Enel Green Power Bulgaria  
Enel Green Power France (formerly Enel Erelis)  
Enel Green Power Hellas <sup>(1)</sup>

## Services and Other Activities

Enel Servizi <sup>(2)</sup>  
Enelpower  
Enel.NewHydro  
Enel.Factor  
Enel.Re

(1) In 2010 includes data for International Wind Parks of Thrace, International Wind Power, Wind Parks of Thrace, Hydro Constructional, International Wind Parks of Crete, International Wind Parks of Rhodes, International Wind Parks of Achaia and Glafkos Hydroelectric Station.  
(2) In 2010 includes data for Sfera.

# Corporate boards

## Board of Directors

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### 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

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### Chairman

Sergio Duca

### Auditors

Carlo Conte  
Gennaro Mariconda

### Alternate Auditors

Antonia Francesca Salsone  
Franco Tutino

## Independent auditors

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**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 shareholders and stakeholders,

in 2010, Enel reached important milestones that have consolidated its role as an international player in the electricity sector. Despite the continuing instability and uncertainty in the global economy, Enel was able to generate large and growing cash flows, even beating the record results posted in 2009 thanks to our market diversification and the crucial contribution of Latin America and our other international operations.

Thanks in part to efficiency enhancement programs and post-acquisition operational synergies, in 2010 Enel became the leading European utilities group in terms of gross operating margin (€17.5 billion) and posted net income of about €4.4 billion. The Group's balance sheet was further strengthened with the listing of Enel Green Power, the Group company that operates in the renewables business, on the Milan and Spanish stock exchanges. This proved to be the largest initial public offering made in Italy and Europe since 2007. In addition, careful management of operating cash flow and the leveraging of certain non-strategic assets through a selective disposal plan, including the Group's high voltage transmission network and Endesa's gas distribution network in Spain, contributed to the full achievement of the net debt reduction target. Net debt stood at less than €45 billion at the end of 2010, a €6 billion decrease from the previous year. Given these results, the debt/gross operating margin ratio at the end of 2010 came to 2.6, among the strongest ratios in the industry.

The Group's financial position has also been strengthened thanks to the success of the largest pan-European bond issue ever carried out by an Italian company for private retail investors in Italy, France, Belgium, Luxembourg and Germany, with demand almost five times greater than the bonds on offer. At the end of 2010, the average maturity of the Group's debt is almost seven years and, taking account of hedges, 93% of this debt is fixed rate: the soundness of the capital structure is the result of the Group's strict financial discipline, implemented without any negative impact on the Company's business development opportunities.

Based on the excellent results achieved, Enel's business plan confirms the effectiveness of the strategic priorities adopted after the stage of international expansion, namely:

- > leadership in its core markets;
- > strengthening and organic growth in renewables and in Latin America, Russia and Eastern Europe;
- > consolidation, integration and operational excellence;
- > leadership in innovation.

These priorities can ensure growth in operating income while maintaining a solid financial balance.

This approach, supplemented by a well-crafted corporate social responsibility policy, will allow Enel to exploit the potential of its asset portfolio and continue to create value for all stakeholders.

The contribution of the operating divisions to the excellent performance of the Group is discussed briefly below.

## Sales Division

This year, the Sales Division focused on high-profitability segments, with a significant number of new customers added in the electricity and gas mass market.

With 3.2 million electricity customers and 2.9 million gas customers, Enel remains the leading Italian group supplying electricity on the free market with a share of 21% of electricity consumed, and the second-leading group in the sale of natural gas, with 11% of total volumes delivered. In addition, Enel supplies electricity to 26.2 million customers on the enhanced protection market.

The Division's strategy is to maximize the value generated for both Enel and its customers by providing excellent service quality, providing innovative commercial offers, optimizing its sales channels and improving operating efficiency.

## Generation and Energy Management Division

The conversion of the Torrevaldaliga Nord plant in Civitavecchia to clean coal technology was completed in 2010. Units 3 and 4 began operation on January 31, and September 14, 2010 respectively, after the sections were successfully tested and compliance with the grid code was verified. This brings the total installed capacity of the plant to about 1,900 MW.

The Division also continued to cut costs and improve the operational management of plants through projects designed to increase operational efficiency, reliability and safety.

In 2010, the Generation and Energy Management Division generated about 69.4 TWh of power in Italy, or approximately 24% of the Italian market (excluding imports), a slight decrease from the previous year (-4%), partly due to reduced water availability.

The economic performance for the year compared with 2009 was mainly affected by this decline in generation and by other non-recurring items such as termination of the recovery of stranded costs relating to the supply of Nigerian LNG.

## Engineering and Innovation Division

In 2010, the Engineering and Innovation Division carried out various plant development and construction projects.

In Italy, in addition to completing the conversion of the Torrevaldaliga Nord clean coal plant (Civitavecchia), the Division continued development of the future Porto Tolle plant (Rovigo).

Abroad, the installation and commissioning of the Nevinnomysskaya plant (400 MW CCGT) in Russia was completed. Work began on designing a fly ash evacuation system at the Reftinskaya plant (3,800 MW coal-fired plant) in Russia and engineering for the revamping and environmental upgrading of unit 5 of that installation was completed. The Division also finished the commissioning of the Algeciras plant in Spain (800 MW CCGT) on behalf of E.ON. The construction and commissioning of the Marcinelle plant in Belgium (400 MW CCGT) also continued.

With regard to activities in the nuclear power field, a team of 60 Enel engineers and scientists worked with EDF to design and build the advanced third-generation EPR nuclear power plant in Flamanville, France. In Slovakia, the Group is in the process of completing the civil works for two units of the Mochovce 3 & 4 nuclear power plant and is working on carrying out its nuclear development program in Italy, involving the construction of four new plants using EPR technology in the coming years.



The Group also developed its Technological Innovation Plan, combining Endesa's research and development with the objective of maximizing synergies. Under this framework, the new pilot plant for separating CO<sub>2</sub> from flue gas at the coal-fired Federico II plant in Brindisi was completed and put into operation. This will make it possible to develop post-combustion technology with a view to building an industrial-scale demonstration plant at the future Porto Tolle plant.

Other plants opened included the combined-cycle, hydrogen-fueled plant at Fusina (Venice) and the innovative Archimede thermal solar plant (5 MW) at Siracusa, which uses molten salts and integrates generation with storage of high-efficiency electricity.

Finally, Enel remains committed to developing sustainable mobility systems to promote the use of electric cars. In 2010, a pilot project with Daimler-Mercedes was launched to provide 100 Smart "Electric Drive" cars to customers in Rome, Pisa and Milan and to install 400 charging stations, while in Spain the Smartcity project was launched with the City of Malaga and agreements were reached with car manufacturers for the promotion of electric vehicles.

## Infrastructure and Networks Division

The technical and financial results for the Infrastructure and Networks Division and the optimal management of the distribution network and the public lighting infrastructure confirm Enel's leadership in Italy and its position as a benchmark for Europe.

Specifically, the quality of technical services in terms of the cumulative duration and average number of interruptions per customer improved significantly, with 46 minutes and 4.3 interruptions, respectively, placing it among the best in Europe for networks of this size.

Enel's automated remote system for managing its digital meters installed at the homes of all its Italian customers performed over 14 million contractual operations and took over 330 million remote readings in 2010. In Spain, the Cervantes project was launched in 2010 to install more than 13 million new meters by 2015.

Enel is a recognized leader in the field of smart grids, the electricity networks of the future, and chairs the ESDO (European Distribution System Operators) Association for Smart Grids, of which the largest energy distributors in Europe are members.

On the renewable resource front, in 2010, Enel Distribuzione connected more than 70,000 plants, concentrated largely in Southern Italy, to its network for 2,500 MW of power.

The Division also continues to pursue operational excellence through projects for sustainable continuous process improvements.

The public lighting business area has improved on the already positive results of the previous year and has consolidated its leading position in both Italy and Spain in the field of new LED street lighting systems, thanks to the Archilede project.

## Iberia and Latin America Division

Significant results were also achieved in the Iberia and Latin America Division in 2010. Endesa reported results that were even better than its already brilliant achievements in 2008 and 2009, despite the difficult economic environment.

On a comparable scope of consolidation basis, the Division's revenues grew 15% to €31.3 billion, about 25 million customers served in Iberia and Latin America in the electricity sector and about 1 million in Iberia in the gas sector. EBITDA reached €7,896 million, an increase of 7% over the record level set in 2009.

The efficiency enhancement and synergy programs implemented by the Division and the rest of the Enel Group contributed heavily to the achievement of these impressive results.

The Spanish market saw a turnaround in demand for continental electricity, with an increase of 2.9% compared with 2009. This positive factor was accompanied by a recovery in wholesale prices, which contributed to the good performance of the Division, along with a careful energy management strategy, the performance in the free market, forward selling, optimization of fixed costs and the increase in distribution rates.

In Latin America – where the demand for electricity in the five countries in which Endesa operates grew by 6.3% on average compared with 2009 – Endesa's results were also impressive this year despite the occurrence of exceptional tragic events, such as the earthquake in Chile and the flooding in Brazil.

Against a background of a modest reduction in generation, due in part to less water availability, these results were primarily supported by the forward sale strategy and distribution activities (especially in Brazil), which saw sales volumes rise by 5.5% over 2009. Thanks to organic growth, in 2010, Endesa's customer base expanded by 382,000 new customers. On a comparable scope of consolidation basis, for the second straight year the gross operating margin set a record for growth, with a 7% increase over the previous year, confirming the robustness of the economies of the countries in which the Division operates.

It was also an important year also in terms of efficiency enhancement programs and synergies. A savings of €740 million was achieved beyond the additional savings of €108 million connected with the start-up of the Zenith Endesa project. Work also continued to achieve further synergies in the future which, when added to those already identified, will deliver benefits of over €1 billion in 2012.

The sale of non-strategic assets, such as the high-voltage electricity transmission grid and 80% of the gas distribution network in Spain (accompanied by a repurchase option), a 50.01% stake in Endesa Hellas (Greece), and 20% of the Sagunto and 21% of the Reganosa regasification plants in Spain were completed in 2010. These sales contributed more than €2 billion towards reducing the Group's debt.

Endesa's renewables assets in the Iberian peninsula were transferred to Enel Green Power España in order to leverage them fully within the Group.

As for 2011, in addition to an improved regulatory framework and the aforementioned increase in distribution rates, starting from January bonds have been issued in Spain to cover the rate deficit, for which Endesa has already received over €2 billion. These are positive signs that form the basis for a new phase of greater stability in Spain's electricity industry.

## Upstream Gas Department

The recent dynamics of the commodities markets have demonstrated the effectiveness of the Enel Group's strategy of vertically integrating the gas sector to make its procurement strategy more competitive, secure and flexible in the long term.

Through a selective investment policy, the Group has built an exploration portfolio with potential reserves exceeding 1 billion barrels of oil equivalent in Russia, Algeria, Egypt and Italy.

The development of assets in the portfolio continued in 2010 in line with plans. The main change in terms of partnerships are the stakes acquired in SeverEnergia by Novatek and Gazpromneft, both of which acquired the interest held by Gazprom. It is a partnership that provides additional industrial efficiency, excellence in expertise and that could speed up operational activities, which are currently in line with the goal of starting commercial generation within the next two years.

## International Division

Internationally, 2010 was a year of renewed economic growth and energy consumption, although in many cases demand remains well below its level just two years ago.

Nevertheless, the foreign companies have contributed to the Group's result with their excellent performance, thanks largely to continued emphasis on improving the operational management of assets. They also remained firm in their commitment to complete investments under way.

In 2010, Slovenské elektrárne posted a gross operating margin of €712 million. This result was achieved thanks to increased generation (particularly nuclear and hydroelectric power) and cost optimization. The total net installed capacity in Slovakia amounted to 5,401 MW, of which 152 MW as a result of the repowering of the Bohunice nuclear power plant, and will be further increased by 880 MW in 2013 with the entry into service of units 3 and 4 of Mochovce nuclear power plant.

In Russia, Enel's activities were focused on integrating and enhancing the efficiency of systems, structures and processes and laid the foundations for a 72% increase in EBITDA compared with 2009. The Group also reached the final stage in the construction of two new 400 MW CCGT power plants in Nevinnomiskaya and Sredneuralskaya, which are scheduled to enter operation in the second quarter of 2011, and work to modernize and environmentally upgrade the Reftinskaya coal plant was begun.

In Romania, Enel has increased its investment to modernize its network assets, reduce its commercial losses and improve service quality, fully respecting the commitments made to the regulator, for a total of about €220 million. Our main objective is to improve efficiency and increase the number of customers.

In France, alongside the partnership with EDF to build third-generation nuclear power plants, the platform for the sale of electricity in the country continued to expand, with Enel France selling 7.1 TWh of electricity thanks to the availability of a further 200 MW under the anticipated capacity contract with EDF.

Enel is prepared to strengthen its position, taking advantage of the opportunities offered by the gradual liberalization of the market in 2011, which should occur following the introduction of the new "NOME" law.

In Belgium, the construction of the Marcinelle CCGT plant has reached the final stage and it is expected to enter service in the second half of 2011.

Finally, in Bulgaria, the process of selling the Enel Maritza East 3 plant has begun.

## Renewable Energy Division

Enel Green Power ended the year with installed capacity of 6,102 MW, of which hydroelectric for 2,539 MW (42%), wind for 2,654 MW (43%), geothermal for 775 MW (13%) and other renewables (solar, biomass and cogeneration) for 134 MW (2%). With more than 600 plants operating in Europe and America, the Group's net generation in 2010 amounted to 21.8 TWh. This production covers the consumption of more than 8 million households and avoids the emission of more than 15 million metric tons of CO<sub>2</sub> each year.

Enel Green Power España was formed and began operation in 2010 and combines Enel Green Power's and Endesa's renewable energies activities in Iberia. During the year, Enel Green Power España also signed an agreement with Gas Natural Fenosa to split the assets of the joint venture Enel Union Fenosa Renovables (EUFER). Once this is completed in 2011, each company will become the exclusive owner of about 550 MW of installed capacity, a project pipeline of about 2,000 MW and will hold half of the net debt of EUFER.

In 2010, the global offering of Enel Green Power shares was successfully completed. As a result, 30.8% of its shares are listed on the Milan and Spanish stock exchanges. The offering was fully subscribed, with demand exceeding supply by 25%.

In Europe, Enel Green Power is present in Spain, Greece, France, Romania and Bulgaria with 1,869 MW in installed capacity. In Italy, with a total of about 2,776 MW of installed capacity and 12.2 TWh of electricity generated, Enel Green Power is a leader in renewable technologies. During the year, construction began on a facility in Catania for the manufacture of innovative thin-film solar panels in a joint venture with Sharp and STMicroelectronics.

In North America, the company has operates in 20 US states and two Canadian provinces, with an installed capacity of 788 MW and output of 2.6 TWh at the end of 2010.

In Latin America, Enel Green Power has 33 plants in Mexico, Costa Rica, Guatemala, Nicaragua, Panama, El Salvador, Chile and Brazil. Overall, on the continent, Enel Green Power has a renewable energy capacity of 669 MW and 3.6 TWh of electricity generated in 2010 using hydroelectric, wind and geothermal power technologies.

Finally Enel.si, a wholly-owned subsidiary of Enel Green Power, which has a network of over 550 franchisees, installed over 160 MW in photovoltaic capacity in the retail market in Italy in 2010, tripling its installed base and reaching about 12,000 customers.

## Outlook

The major objectives achieved in terms of size, efficiency and diversification of the generation mix and the strengthening of our financial structure will enable Enel seize the opportunities offered by a new cycle of organic growth and development in rapidly developing countries.

Accordingly, Enel, in confirming its strategic direction, will continue to pursue leadership in the markets in which it operates, continuing and intensifying its initiatives to boost operational excellence along the entire value chain. The consolidation and integration of its operations abroad will enable us to disseminate a culture of excellence and efficiency throughout the entire Group and to achieve greater operational synergies.

Enel will continue to implement its development plans in the renewable energy sector with determination, confirming their essential contribution to the strategy for sustainable development in the energy industry. Thanks to our know-how, our technological skills and the geographical scope of our operations, Enel is a world leader in what is forecast to be a rapidly expanding sector.

At the same time, Enel will continue its commitment to research and technological innovation, with a special focus on the development of environmentally compatible thermoelectric technologies, smart grids and electric mobility, as well as initiatives to strengthen direct access to fossil fuels through selective vertical integration.

Enel also intends to consolidate its leadership role in the field of corporate social responsibility, a sector in which it has already received major recognition at the global level.

On this foundation, the ever closer integration of international operations together with our development programs and initiatives to boost operational efficiency will have a positive impact on performance in 2011, helping us achieve the financial targets announced to the market.

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 in single call on April 29, 2011 at the Enel Conference Center at 125, Viale Regina Margherita, adopted the following resolutions during the ordinary session:

1. approved the financial statements of Enel SpA for the year ended December 31, 2010; and took note of the results of the consolidated financial statements of the Enel Group, also for the year ended December 31, 2010, which closed with net income for the year of €4,390 million;
2. resolved, with regard to Enel SpA's net income for the year 2010, amounting to €3,116,516,050.46, 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 as from November 25, 2010 after coupon no. 17 had gone ex-dividend on November 22, 2010, amounting to a total of €940,335,779.50;
    - €0.18 for each of the 9,403,357,795 ordinary shares in circulation on June 20, 2011, the scheduled ex-dividend date, as the balance of the dividend, amounting to a total of €1,692,604,403.10;
  - b) earmark for "retained earnings" the remainder of the aforesaid net income, amounting to a total of €483,575,867.86; paying, before withholding tax, if any, the aforesaid balance of €0.18 per ordinary share of the 2010 dividend as from June 23, 2011, with the ex-dividend date of coupon no. 18 falling on June 20, 2011;
3. appointed the new Board of Directors, which will remain in office until the approval of the financial statements for 2013, in the persons of:
  - Paolo Andrea Colombo - Chairman
  - Alessandro Banchi - Director
  - Lorenzo Codogno - Director
  - Fulvio Conti - Director
  - Mauro Miccio - Director
  - Fernando Napolitano - Director
  - Pedro Solbes - Director
  - Angelo Taraborrelli - Director
  - Gianfranco Tosi - Directorsetting the related compensation at €85,000 a year for each Director, in addition to reimbursement of the expenses incurred because of their duties;



4. appointed – upon justified proposal of the Board of Statutory Auditors – Reconta Ernst & Young SpA as external auditor for the nine-year period 2011-2019, at an overall consideration (regarding only the Parent Company, Enel SpA) amounting to €3,480,791.55.

In the extraordinary session, the Shareholders also resolved the harmonization of the Company's bylaws with the provisions of:

- (i) the Legislative Decree of January 27, 2010, no. 27, concerning the participation to the Shareholders' Meeting by electronic means;
- (ii) the Regulations concerning the transactions with related parties adopted by CONSOB with Resolution no. 17221 of March 12, 2010.

# Enel and the financial markets

## Main per-share data and capitalization

	2010	2009
Dividend per share (euro)	0.28 <sup>(*)</sup>	0.25
Share price - 12-month high (euro)	4.23	4.35
Share price - 12-month low (euro)	3.43	2.91
Average share price in December (euro)	3.78	4.06
Market capitalization <sup>(1)</sup> (millions of euro)	35,543	38,176
No. of shares outstanding at December 31 (millions)	9,403	9,403

(\*) Dividend proposed by the Board of Directors on March 14, 2011 equal to €0.28 per share (of which €0.10 paid as an interim dividend in November 2010).

(1) Calculated on average share price in December.

		Current <sup>(1)</sup>	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2008
<b>Enel stock weighting in:</b>					
- MIB 30 index <sup>(2)</sup>		n.a.	n.a.	n.a.	9.34%
- FTSE Italia All Share index <sup>(3)</sup>		9.30%	8.97%	8.88%	n.a.
- STOXX Europe 600 Utilities index		8.89%	8.07%	8.26%	6.33%
- Bloomberg World Electric index		3.55%	3.16%	3.58%	2.84%
<b>Rating</b>					
		Current <sup>(1)</sup>	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2008
Standard & Poor's	Outlook	Stable	Stable	Stable	Negative
	Medium/long term	A-	A-	A-	A-
	Short term	A-2	A-2	A-2	A-2
Moody's	Outlook	Negative	Negative	Negative	Negative
	Medium/long term	A2	A2	A2	A2
	Short term	P1	P1	P1	P1
Fitch	Outlook	Stable	Stable	Stable	n.a.
	Medium/long term	A-	A-	A-	n.a.
	Short term	F2	F2	F2	n.a.

(1) Figures updated to March 1, 2011.

(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.

2010 saw a partial recovery in the world's economies, although the pace of growth differed from country to country. The expansion was robust in the emerging economies (especially China, India and Brazil) and in a number of industrial economies (such as Germany, Japan and the

United States), but less vigorous in the other industrial countries.

The central banks of the main developed economies continued to maintain an expansionary monetary policy stance in 2010. For the entire year, official interest rates in



the euro area and the United States were kept at a historically low level (the European Central Bank left its main refinancing rate at 1%, while the Fed kept its target federal funds rate at 0.25%).

As regards the financial markets, differences in the performance of the European economies were reflected in prices on their respective securities markets.

In the euro area, there was a divergent pattern of developments in equity indices. More specifically, 2010 ended with a significant rise in Germany (the DAX index closed the year with a gain of 16% on 2009), while markets in the countries of the Mediterranean basin performed markedly less well (in Italy, the FTSE Italia All Share index closed the year with a loss of 11.5% and Spain's IBEX index fell by 17.4%).

In 2010 the performance of the Enel stock price was significantly better than all its main European competitors

Against this background, the utilities segment was among the worst-performing sectors in 2010. Together with the banking sector, the utilities indices were the only ones to post losses for the year (the STOXX Europe 600 Utilities index fell by about 8% in 2010).

The strong correlation between the utilities sector and the country risk associated with the perceived sovereign risk helped drag down the performance of the segment.

In this environment, the performance of the Enel stock price was in line with the European sector index (Enel shares closed the year at €3.74, down 7.6%) but significantly better than all its main European competitors (Enel outperformed RWE, EDF, E.ON, Iberdrola, EDP and GDF over the year).

On November 25, 2010, Enel paid an interim dividend on 2010 profits of €0.10 per share, which together with the dividend paid on June 24, 2010, brought total dividends paid during the year to €0.25 per share.

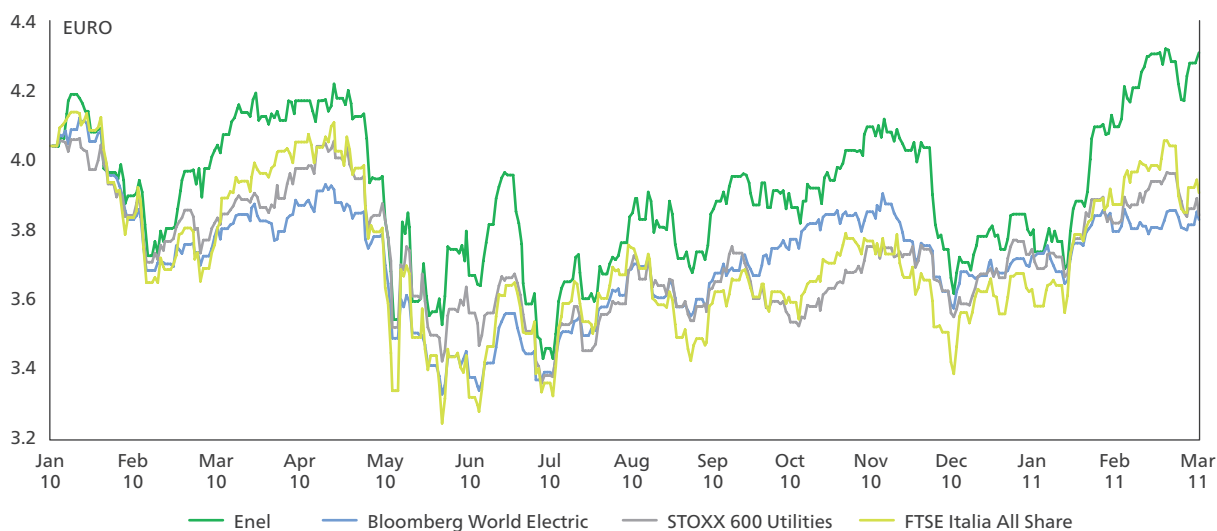
At December 31, 2010, the Ministry for the Economy and Finance held 31.2% of Enel, while institutional investors held 37.0% and individual investors the remaining 31.8%.

For further information we invite you to visit the Investor Relations section of our corporate website (<http://www.enel.com/en-GB/investor/>), 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, STOXX Europe 600 Utilities and FTSE Italia All Share indices



Source: Bloomberg.

# 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 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 18, 2009, the Minister for Economic Development:

- > set a price of €59.5/MWh for the 1st Quarter of 2010, providing for the updating of the sales price by *Autorità per l'energia elettrica e il gas* (hereinafter the Authority for Electricity and Gas or the Authority) 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 3 of Resolution no. 182/08 of the Authority) for the 2nd, 3rd and 4th Quarters of 2010 were set at €66.49/MWh, €63.66/MWh and €73.02/MWh respectively;
- > for 2010, agreed the allocation of capacity on the Italian-Swiss border by common agreement between the Italian and Swiss authorities.

For 2011, with a decree of December 14, 2010, the Minister for Economic Development set a price for the 1st Quarter of 2011 of €66.3/MWh and confirmed the procedures for updating the price. As in the previous year, the Single Buyer may elect to not draw the electricity under the long-term contract if prices are not consistent with its forecast for average provisioning costs. While the option remains, at the end of the year the Single Buyer confirmed its intention to draw the electricity governed by the contract.

In its capacity as an industrial holding company, Enel SpA defines strategic targets for the Group and coordinates activities of subsidiaries



# Significant events in 2010



10  
February

## Bond issue for Italian and European retail investors

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 retail investors in Italy and other European countries (specifically France, Germany, Belgium and Luxembourg) for an original maximum aggregate amount of €2 billion, raised the maximum €3 billion on February 18, 2010, in response to investor demand, as provided for in the prospectus. Both the fixed- and floating-rate bonds have a 6-year maturity (March 2016). The fixed-rate bond, issued in the amount of €2 billion, will pay annual effective gross interest of 3.52% (the sum of a spread of 73 basis points and the 6-year mid-swap rate), while the floating-rate bond, issued in the

amount of €1 billion, will pay interest equal to 6-month Euribor plus a spread of 73 basis points.

9  
April

## New agreement for nuclear power in Italy

On April 9, 2010, Enel, EDF and the Finmeccanica companies Ansaldo Energia and Ansaldo Nucleare, signed a major memorandum of understanding. The objective of the agreement is to specify areas of potential cooperation between Enel, EDF and Ansaldo Energia (which wholly owns Ansaldo Nucleare) in the development and construction of at least four Areva EPRs (Evolutionary Pressurized Reactors) that Enel and EDF intend to build in Italy. Enel and EDF will act as investors and architect engineers, with overall responsibility for the project and the management,



construction and commissioning of the plants. They will leverage the experience of Ansaldo both in the study, design and commissioning activities of the nuclear systems and in support for licensing.

29  
April

19  
April

### €10 billion revolving line of credit

On April 19, 2010, Enel agreed a 5-year revolving credit facility for €10 billion to replace a €5 billion syndicated loan. The new credit line can be used directly by Enel and by Enel Finance International (with the guarantee of the Parent Company), offering the Group treasury a highly flexible tool to help manage working capital, as it is not part of the Group's debt refinancing program.

### Approval of results for 2009 and distribution of the dividend

On April 29, 2010, the Shareholders' Meeting approved the results for 2009 and the distribution of a total dividend of €2,350.8 million for 2009 as a whole (€0.25 per share), with the balance (€0.15 per share) to be paid as from June 24, 2010, taking account of the interim dividend of €0.10 per share paid in November 2009.

## Global public offering of Enel Green Power shares

On June 18, 2010, Enel Green Power SpA (EGP) submitted an application to Borsa Italiana requesting admission of its shares for trading on the electronic stock market (Mercato Telematico Azionario - MTA) and asked CONSOB to authorize the publication of the prospectus for the public offering and the listing of its shares.

On October 13, 2010, EGP received authorization from CONSOB. This followed the approval on October 11, 2010, with decision no. 6796 by Borsa Italiana of the admission of the shares for trading on the MTA.

With a view to launching a public offering also in Spain – in connection with the planned listing of the shares of EGP on regulated markets in that country – EGP and Enel SpA also asked CONSOB to send the *Comisión Nacional del Mercado de Valores* (CNMV) a certificate of approval certifying that the prospectus has been prepared in accordance with the provisions of Directive 2003/71/EC.

The global public offering of Enel Green Power shares, for which admission to trading would be sought on the MTA, organized and run by Borsa Italiana SpA, and regulated markets in Spain (Madrid, Barcelona, Bilbao and Valencia) as well as on the automated SIBE system, involved a maximum of 1,415,000,000 shares offered for sale by Enel SpA. It was structured as follows:

- > a **public offering in Italy** of a minimum of 176,875,000 shares, or 12.5% of the global offering, to the general public, Enel shareholders and Enel employees resident in Italy;
- > a **public offering in Spain** of a minimum of 35,375,000 shares, or 2.5% of the global offering, to the general public and Enel employees resident in Spain;
- > an **institutional offering** of a maximum of 1,202,750,000 shares, or 85% of the global offering, to institutional investors in Italy and abroad (excluding Australia, Canada and Japan, in compliance with statutory restrictions) pursuant to Regulation S of the United States Securities Act and in the United States solely to qualified institutional buyers under Rule 144A of the Securities Act.

In the public offering in Italy and Spain, participants who retain continuous ownership of the shares purchased in the offering for 12 months as from the payment date would receive 1 bonus share for each 20 held.

Enel SpA also granted the Coordinators of the global offering:

- > an **over-allotment option**, i.e. the option of requesting a loan of up to 210,000,000 additional shares, equal to about 15% of the number of shares involved in the global offering, for the purposes of carrying out an over allotment as part of the institutional offering, enabling the Coordinators to allot, in whole or in part, the borrowed shares to institutional investors;
- > a **greenshoe option**, i.e. the option of purchasing, at the offer price, a maximum of 210,000,000 shares, equal to about 15% of the number of shares involved in the global offering, for allotment to institutional investors in the event of over allotment.

Both options could be exercised, in whole or in part, within 30 days of the start of trading (November 4, 2010) of EGP shares on the MTA.

On October 15, 2010, Enel announced that it had set the price range for shares of EGP, indicative of the economic capital of EGP, in order to enable the receipt of expressions of interest from institutional investors as part of the global offering of EGP shares. The price range was set at between a minimum of €9 billion and a maximum of €10.5 billion (equal to a non-binding minimum price of €1.80 per share and a binding maximum price of €2.10 per share, the latter equal to the maximum placement price).

On October 28, Enel, without prejudice to the indicative price range reported above, announced that it would consider expressions of interest as from €1.60 per share in order to achieve the best possible valuation of such an important asset as EGP. On October 30, 2010, Enel, in consultation with the Joint Global Coordinators and the Joint Bookrunners, set the final offering price at €1.60 per share.

The final price, which was identical for both the public offering and the offering to institutional investors, was set by taking into account, inter alia, conditions in financial markets in Italy and abroad, the volume and quality of the expressions of interest received from institutional investors, as well as the volume of applications received in the public offering.

The offering, which began on October 18, 2010, and concluded on October 29, 2010, generated total gross demand for around 1,780 million shares (of which about

1,260 million shares on the part of retail investors in Italy and Spain and about 520 million shares on the part of institutional investors), compared with 1,415 million EGP shares involved in the global offering. On December 3, 2010, the Joint Global Coordinators, in conformity with the provisions of the prospectus, exercised the greenshoe option for 126,456,258 shares.

Following the exercise of the greenshoe, the global offering involved the allotment of 1,541,456,258 EGP shares, equal to 30.8% of its share capital, enabling Enel to raise about €2.4 billion net of commissions and expenses, while Enel's stake in Enel Green Power amounted to 69.2% of share capital.

30  
June

### Modification of stakes held by the Ministry for the Economy and Finance (MEF) and Cassa Depositi e Prestiti (CDP) in Enel SpA

On June 30, 2010, the Board of Directors of Cassa Depositi e Prestiti (CDP) authorized the transfer to the Ministry for the Economy and Finance (MEF) of its stakes of 17.36% in Enel SpA (equal to 1,632,624,218 ordinary shares), 35% in Poste Italiane and 50% in STMicroelectronics Holding NV in exchange for Eni SpA shares with the same value.

Subsequently, a Decree of the Ministry for the Economy and Finance of November 30, 2010, published in *Gazzetta Ufficiale* no. 293 of December 16, 2010, ordered the transfer from the MEF to CDP of 655,891,140 shares in Eni SpA in exchange for the transfer from CDP to the MEF of its entire holdings in Enel SpA (plus €163,262,421,80 corresponding to the interim dividend for 2010 distributed by Enel in respect of those shares), Poste Italiane SpA and STMicroelectronics Holding NV. Following the transfers carried out as per the ministerial decree:

- > the MEF directly owns 2,937,972,731 Enel shares, equal to 31.24% of share capital currently registered with the Company Register, having received 1,632,624,218 Enel shares (equal to 17.36% of share capital) from CDP;
- > CDP no longer holds any Enel SpA shares.

The transfer of the holding in Enel SpA was carried out in compliance with Order no. 14542 of August 4, 2005 of the Antitrust Authority.

29  
September

### Interim dividend for 2010

On September 29, 2010, the Board of Directors of Enel SpA approved the distribution of an interim dividend of €0.10 per share. The interim dividend was paid as from November 25, 2010, with the ex dividend date falling on November 22, 2010.

# Performance and financial position 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 financial statements. These reclassified schedules contain different performance indicators from those obtained directly from the 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 "Long-term loans", the current portion of such loans and "Short-term loans" less "Cash and cash equivalents", financial receivables included under "Non-current financial assets" and "Current financial assets". More generally, net financial debt is calculated in conformity with paragraph 127 of Recommendation CESR/05-054b implementing Regulation (EC) 809/2004 and in line with the CONSOB instructions of July 26, 2007, net of financial receivables and long-term securities.



# Performance

The following table summarizes the performance of Enel SpA in 2010 and 2009:

Millions of euro

	2010	2009	2010-2009
<b>Revenues:</b>			
Revenues from sales and services	669.5	693.0	(23.5)
Other revenues	6.8	13.3	(6.5)
<b>Total</b>	<b>676.3</b>	<b>706.3</b>	<b>(30.0)</b>
<b>Net proceeds from the sale of equity investments</b>	<b>731.4</b>	<b>-</b>	<b>731.4</b>
<b>Costs:</b>			
Electricity purchases and consumables	341.8	316.7	25.1
Services, leases and rentals	267.3	308.2	(40.9)
Personnel	98.8	97.2	1.6
Other operating expenses	40.7	11.5	29.2
<b>Total</b>	<b>748.6</b>	<b>733.6</b>	<b>15.0</b>
<b>Gross operating margin</b>	<b>659.1</b>	<b>(27.3)</b>	<b>686.4</b>
Depreciation, amortization and impairment losses	22.3	8.7	13.6
Operating income	636.8	(36.0)	672.8
<b>Net financial income/(expense) and income from equity investments:</b>			
Income from equity investments	3,368.8	4,481.8	(1,113.0)
Financial income	2,086.7	2,510.8	(424.1)
Financial expense	3,219.2	3,792.8	(573.6)
<b>Total</b>	<b>2,236.3</b>	<b>3,199.8</b>	<b>(963.5)</b>
<b>Income before taxes</b>	<b>2,873.1</b>	<b>3,163.8</b>	<b>(290.7)</b>
Income taxes	(243.4)	(296.6)	53.2
<b>NET INCOME FOR THE YEAR</b>	<b>3,116.5</b>	<b>3,460.4</b>	<b>(343.9)</b>

**Revenues from sales and services** totaled €669.5 million (€693.0 million in 2009) and regard:

- > *revenues from electricity sales* of €350.8 million (€329.1 million in 2009), mainly attributable to sales of imported electricity to the Single Buyer in the amount of €346.5 million in 2010 (€328.0 million in 2009);
- > *revenues from services* of €318.7 million (€363.9 million in 2009), essentially in respect of assistance and consulting services provided to Group companies (€317.5 million in 2010 compared with €363.1 million in 2009).

The increase of €21.7 million in revenues from electricity sales compared with 2009 was mainly due to the increase in the average price of electricity sales to the Single Buyer. The decrease of €45.2 million in revenues from services on the previous year is largely due to a fall in charges passed through to subsidiaries, which in 2009 included the reallocation to the subsidiary Enel Energy Europe SL of charges associated with the acquisition of an additional stake in

Endesa (25.01%) from Acciona. These negative factors were partially offset by an increase in revenues from management fee and service activities in 2010.

**Other revenues** came to €6.8 million, a decrease of €6.5 million on 2009, mainly attributable to lower income from commodity risk management.

**Net proceeds from the sale of equity investments** amounted to €731.4 million (not present in 2009). Of the total, €728.2 million regard the gain, net of transaction costs (€94.8 million), on the sale of 30.8% of the holding in Enel Green Power SpA through a global public offering, while the remaining €3.2 million regard the income on the sale of 39.0% of Idrosicilia SpA.

Cost for **electricity purchases and consumables** came to €341.8 million, of which €338.9 million for the purchase of 5,270.4 million kWh of electricity. The increase of €25.1

million on the previous year is essentially due to the rise in the average price of electricity purchased from Atel under the Settlement Agreement.

Costs for **services, leases and rentals** amounted to €267.3 million, of which charges from third parties in the amount of €193.1 million and from Group companies in the amount of €74.2 million. The services provided by third parties mainly regard promotional activities and advertising, corporate acquisitions and disposals, sundry technical and professional services and fees paid to the Gestore dei Servizi Energetici (hereinafter "Energy Services Operator" - ESO) and the Gestore dei Mercati Energetici (hereinafter "Energy Markets Operator" - EMO). Those provided by Group companies regard IT and administrative services and purchasing as well as rental payments due to Enel Servizi. The total decrease of €40.9 million on 2009 is largely due to the reduction of costs in respect of corporate acquisitions and disposals (€39.7 million), which in 2009 included charges for the acquisition of the additional holding in Endesa.

**Personnel** costs totaled €98.8 million and regarded an average workforce of 772 (719 in 2009). The total was up €1.6 million, in line with the change in the average workforce (up by 53).

**Other operating expenses** amounted to €40.7 million, an increase of €29.2 million on the previous year, essentially due to the updating of estimates of litigation provisions for positions arising in previous years (€15.7 million) and increased expenses on derivatives hedging energy prices (€6.9 million).

The **gross operating margin** came to a positive €659.1 million, an improvement of €686.4 million on the previous year, essentially attributable to the net proceeds on the sale of equity investments noted above.

**Depreciation, amortization and impairment losses** came to €22.3 million, of which depreciation of property,

plant and equipment of €1.8 million, amortization of intangible assets of €5.6 million and impairment losses of €14.9 million in respect of the writedown of the investment in Enel.NewHydro to take account of the loss posted by the latter and management's assessment of the recoverability of the cost recognized on the balance sheet.

**Operating income** amounted to a positive €636.8 million, an improvement of €672.8 million compared with 2009, mainly attributable to the improvement in the gross operating margin, partially offset by the writedown of the investment in Enel.NewHydro.

**Income from equity investments** amounted to €3,368.8 million (€4,481.8 million in 2009). The item regards dividends approved in 2010 by subsidiaries in the amount of €3,348.2 million and other equity investments in the amount of €20.6 million, of which €20.5 million earned and approved by Terna SpA.

**Net financial expense** totaled €1,132.5 million, a decrease of €149.5 million on the previous year, essentially associated with a decrease in interest expense and other charges on financial debt, mainly attributable to the broad decline in interest rates and a decrease in medium and long-term debt. This was partially balanced by a decline in interest income on the intercompany current account held with Enel Energy Europe SL and with Enel Green Power SpA.

**Income taxes** showed a tax receivable of €243.4 million, mainly due to the reduction in taxable income for Ires purposes as a result of the exclusion of 95% of dividends received from subsidiaries and the exemption of the same percentage of the capital gain on the sale of 30.8% of Enel Green Power.

The effective tax rate on pre-tax income was a negative 8.5% in 2010, compared with a negative 9.4% in 2009.

**Net income for the year** amounted to €3,116.5 million, compared with €3,460.4 million in 2009.

# Analysis of the financial position

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Net non-current assets:</b>			
- property, plant and equipment and intangible assets	20.2	20.8	(0.6)
- equity investments	38,830.9	35,957.2	2,873.7
- other non-current assets/(liabilities)	(660.8)	(744.1)	83.3
<b>Total</b>	<b>38,190.3</b>	<b>35,233.9</b>	<b>2,956.4</b>
<b>Net current assets:</b>			
- trade receivables	542.0	516.5	25.5
- net other current assets/(liabilities)	(358.4)	439.6	(798.0)
- trade payables	(350.0)	(320.8)	(29.2)
<b>Total</b>	<b>(166.4)</b>	<b>635.3</b>	<b>(801.7)</b>
<b>Gross capital employed</b>	<b>38,023.9</b>	<b>35,869.2</b>	<b>2,154.7</b>
<b>Provisions:</b>			
- post-employment and other employee benefits	(363.1)	(376.4)	13.3
- provisions for risks and charges and net deferred taxes	168.9	184.2	(15.3)
<b>Total</b>	<b>(194.2)</b>	<b>(192.2)</b>	<b>(2.0)</b>
<b>Non-current assets classified as held for sale</b>	<b>-</b>	<b>9.0</b>	<b>(9.0)</b>
<b>Net capital employed</b>	<b>37,829.7</b>	<b>35,686.0</b>	<b>2,143.7</b>
<b>Shareholders' equity</b>	<b>24,515.6</b>	<b>23,721.7</b>	<b>793.9</b>
<b>NET FINANCIAL DEBT</b>	<b>13,314.1</b>	<b>11,964.3</b>	<b>1,349.8</b>

**Net non-current assets** amounted to €38,190.3 million, an increase of €2,956.4 million. Of the total, €2,873.7 million regarded the increase in the value of equity investments, mainly due to the recapitalization of Enel Green Power SpA (€3,700.0 million) and Enel Trade SpA (€800.0 million), carried out with the partial waiver by Enel SpA of receivables on the intercompany current account held with those two companies. This was partially offset by the sale of 30.8% of Enel Green Power SpA (€1,643.3 million) in the global public offering.

**Net current assets** came to a negative €166.4 million, a decrease of €801.7 million on December 31, 2009. The change is essentially attributable to:

- > a decrease of €798.0 million in net other current assets/(liabilities) as a result of a decline in receivables for interest and other income on the current accounts held with subsidiaries, the increase in payables in respect of interest expense accrued but not yet paid on financial debt, the fair value measurement of the bonus shares granted in the global public offering to purchases of Enel Green Power shares and a decline in tax receivables;

- > an increase of €29.2 million in trade payables, essentially due to the increase in payable due to Group companies.

**Net capital employed** at December 31, 2010, amounted to €37,829.7 million, funded by shareholders' equity of €24,515.6 million and net financial debt of €13,314.1 million.

**Shareholders' equity** totaled €24,515.6 million at December 31, 2010, an increase of €793.9 million on the previous year. The change is essentially due to the recognition of net income for the year of €3,141.2 million and the increase in the reserve for stock options of €2.3 million. These effects were partially offset by the distribution of the balance of the dividend for 2009 in the amount of €1,410.5 million (€0.15 per share) and the payment of the interim dividend for 2010 of €940.3 million (€0.10 per share), which was authorized in September 2010 and paid in November that year.

**Net financial debt** came to €13,314.1 million, at the end of the year, with a debt/equity ratio of 0.54 (0.50 at the end of 2009).

# 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, 2010	at Dec. 31, 2009	2010-2009
<b>Long-term debt:</b>			
- bank loans	4,161.7	5,948.8	(1,787.1)
- bonds	15,366.9	13,256.8	2,110.1
- debt assumed and loans from subsidiaries	2,797.2	10,806.4	(8,009.2)
<i>Long-term debt</i>	<i>22,325.8</i>	<i>30,012.0</i>	<i>(7,686.2)</i>
- financial receivables from others	(152.7)	(148.4)	(4.3)
- debt assumed and loans to subsidiaries	(181.0)	(198.0)	17.0
<b>Net long-term debt</b>	<b>21,992.1</b>	<b>29,665.6</b>	<b>(7,673.5)</b>
<b>Short-term debt/(liquidity):</b>			
- short-term portion of long-term debt	805.5	779.5	26.0
- short-term bank debt	40.0	790.3	(750.3)
- short-term debt with Group companies	-	536.0	(536.0)
- cash collateral received	306.0	-	306.0
<i>Short-term debt</i>	<i>1,151.5</i>	<i>2,105.8</i>	<i>(954.3)</i>
- short-term portion of long-term financial receivables	(0.6)	(0.3)	(0.3)
- short-term portion of loans assumed/granted	(17.0)	(0.3)	(16.7)
- other financial receivables	(1.3)	-	(1.3)
- cash collateral paid	(662.6)	(893.2)	230.6
- net short-term financial position with Group companies	(7,031.0)	(17,918.1)	10,887.1
- cash and cash equivalents	(2,117.0)	(995.2)	(1,121.8)
<b>Net short-term debt/(liquidity)</b>	<b>(8,678.0)</b>	<b>(17,701.3)</b>	<b>9,023.3</b>
<b>NET FINANCIAL DEBT</b>	<b>13,314.1</b>	<b>11,964.3</b>	<b>1,349.8</b>

At December 31, 2010, net financial debt amounted to €13,314.1 million, an increase of €1,349.8 million as the net result of a decrease in net long-term financial debt in the amount of €7,673.5 million, more than offset by a decrease in net liquidity of €9,023.3 million.

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

- > a partial repayment in the amount of €5,365.0 million of a long-term loan granted in 2008 by Enel Finance International in the original amount of €7,865.0 million falling due on December 31, 2013. The remaining outstanding loan (€2,500.0 million) was renegotiated to fall due in 15 years;
- > the early repayment in the amount of €2,644.3 million of a long-term loan granted by Enel Finance International on January 1, 2008, falling due on December 31, 2013;
- > voluntary repayments totaling €1,831.0 million on the original €35 billion syndicated credit line following the issue of a pan-European multi-tranche bond for retail investors (discussed below), of which:
  - €887.4 million related to the tranche maturing in 2012;
  - €637.6 million related to the tranche maturing in 2014;
  - €306.0 million related to the tranche maturing in 2016;
- > the repayment of €500.0 million in respect of drawings on the 5-year €5,000.0 million revolving credit facility, discharged early in April 2010;
- > the issue of a pan-European multi-tranche fixed- and floating-rate bond for retail investors totaling €3,000 million, with the following characteristics:
  - €2,000 million fixed-rate 3.5% bond maturing on February 26, 2016;
  - €1,000 million floating-rate bond maturing on February 26, 2016.

The decrease in the net short-term creditor position, equal to €9,023.3 million, was mainly due to the decline in the financing requirements of the Group companies on the intercompany current account (€10,887.1 million), partially offset by increased liquidity at banks (€1,121.8 million).

The deterioration in the net creditor position in respect of Group companies was essentially attributable to the decrease in the receivables on the intercompany current account held with Enel Energy Europe (€7,914.9 million) and Enel Green Power (€3,394.1 million).

## Cash flows

Millions of euro

	2010	2009	2010-2009
<b>Cash and cash equivalents at the start of the year</b>	<b>995.2</b>	<b>614.2</b>	<b>381.0</b>
Cash flows from operating activities	3,083.7	3,737.9	(654.2)
Cash flows from investing/disinvesting activities	2,411.0	10.7	2,400.3
Cash flows from financing activities	(4,372.9)	(3,367.6)	(1,005.3)
<b>Cash and cash equivalents at the end of the year</b>	<b>2,117.0</b>	<b>995.2</b>	<b>1,121.8</b>

In 2010 cash and cash equivalents rose by €1,121.8 million.

Cash flows from operating activities came to €3,083.7 million, compared with €3,737.9 million the previous year, a decrease of €654.2 million, essentially due to a decline in dividends received.

Cash flows from investing activities were a positive €2,411.0 million (€10.7 million the previous year), and essentially regard the net receipt of €2,422.1 million from the sale of 30.8% of Enel Green Power SpA and the receipt of €12.2 million from the sale of 39% of Idrosicilia SpA. These positive factors were partially offset by outlays for the recapitalization of Sviluppo Nucleare Italia Srl (€16.5

million) and investments net of disposals in property, plant and equipment and intangible assets of €7.0 million.

These cash flows made it possible to meet cash requirements in respect of financing activities, which used liquidity in the amount of €4,372.9 million, mainly for repayment of long-term loans (€10,620.0 million), the payment of the balance of the dividend for 2009 and the interim dividend for 2010 (a total of €2,350.8 million) and the repayment of the credit line with Enel Finance International (€536.0 million). These effects were partially offset by the liquidity generated by the issue of the pan-European multi-tranche bond (€3,000.0 million) and the reduction in borrowings by Group companies on intercompany current account (€6,387.1 million).

# Performance of the main subsidiaries

## Enel Produzione SpA

In 2010, Enel Produzione delivered 64.4 TWh (68.9 TWh in 2009) of electricity to the grid, 47.7 TWh of which from thermal generation and 16.9 TWh from hydroelectric generation. Compared with 2009, energy delivered fell by 4.5 TWh. This change was due both to a decline in thermal power generation (2.5 TWh), which was mainly the result of lower levels of plant operation required (particularly for combined-cycle plants), and to a reduction in renewable energy generation (2.0 TWh) as a result of the change in plants considered following the transfer of the hydroelectric plants in the Province of Bolzano to SE Hydropower Srl on June 1, 2010.

Electricity sales were conducted under bilateral contracts, mostly with Enel Trade and the Single Buyer in the amount of 33.0 TWh (50.0%), and on the Power Exchange in the amount of 32.6 TWh (49.4%), with the remaining 0.4 TWh (0.6%) being related to subsidized energy sales. In 2010, CO<sub>2</sub> emissions totaled 34.5 million metric tons, while allowances assigned totaled 38.8 million metric tons.

During 2010, the most important corporate events and extraordinary operations for the company were as follows:

- > the transfer, effective as of June 1, 2010, of the large hydroelectric operations in the Province of Bolzano to SE Hydropower Srl, which is 60% owned by Società Elettrica Altoatesina SpA and 40% by Enel Produzione SpA, the latter of which, due to the shareholder agreements in effect, will exercise de facto control over the company until December 31, 2013. The transaction comes after the signing of the finalized agreement between the parties on October 20, 2009, regarding the joint development of hydroelectric power in the Province of Bolzano;
- > the subscription of the paid capital increase in the amount of €0.35 million, as approved by the shareholders of Adria Link Srl (in which Enel Produzione SpA holds a 33.3% stake) on July 22, 2010, which is to be

executed in two tranches of €0.175 million each. Enel Produzione paid for its share of the first tranche, in the amount of €0.06 million, on August 30, 2010, and the same amount for the second tranche was paid on December 18, 2010;

- > the subscription of the paid, divisible capital increase by Galsi SpA totaling €24.0 million. Specifically, payment of Enel Produzione's share took place in January 2010, in the amount of €1.6 million, and in September 2010, in the amount of €2.2 million. Following this transaction, the total stake held by Enel Produzione SpA remained unchanged at 15.61%;
- > the start of liquidation proceedings, as authorized by the Board of Directors of Enel Produzione SpA on July 27, 2010, of the subsidiary Enel Green Power Holding Sarl, in which the company holds a 67.11% stake. The liquidation, as has already also been approved by the other shareholder (Enel Investment Holding BV), was based on an analysis that has shown that there is no possibility to use this special-purpose vehicle in the future. The liquidation process began on September 22, 2010, and was completed on November 19, 2010, with approval by the shareholders of Enel Green Power Holding Sarl of the report of the liquidator, and the consequent removal of the company from the local Company Register;
- > the start of liquidation proceedings for the two companies Platani Energia Ambiente Scpa and Tifeo Energia Ambiente Scpa, as approved by the shareholders of the two companies on August 3, 2010. Enel Produzione SpA holds 1.04% and 0.73% interests in these companies, respectively.

In addition, during the year, as part of initiatives to optimize the net working capital of Enel Produzione, a number of without-recourse assignments of receivables due from the Single Buyer and Terna were carried out with Unicredit Factoring. The total proceeds generated by the transactions amounted to about €174.1 million.

**Revenues** for 2010 totaled €6,851.7 million (compared with €6,958.1 million in 2009) and relate essentially to:

- > *revenues from electricity sales to third parties* in the amount of €4,525.9 million (€5,588.3 million in 2009), a decline of €1,062.4 million due mainly to the lower quantities sold;
- > *revenues from electricity sales to Group companies* in the amount of €2,103.7 million (€1,207.9 million in 2009), an increase of €895.8 million due essentially to the greater quantities sold under bilateral contracts with Enel Trade, the effects of which were partially offset by a decline in sales prices;
- > *revenues from contract work in progress* in the amount of €25.3 million (€91.9 million in 2009) related to orders currently being executed. Total revenues in 2009 had also included those of the 1st Quarter related to the contracts transferred to Enel Ingegneria e Innovazione SpA effective as of April 1, 2009;
- > *other revenues* in the amount of €132.3 million (€67.3 million in 2009), an increase of €65.0 million over the previous year due mainly to the €35.2 million gain recognized as a result of the adjustment to the sales price for the 51% interest in Hydro Dolomiti Enel Srl sold to Dolomiti Energia SpA.

**Operating costs** for 2010 totaled €5,979.1 million (€5,988.2 million in 2009), for an overall decrease of €9.1 million due mainly to the following:

- > a €66.1 million decrease in *personnel costs* due to the decline in the average workforce (378 people) as a result of the extraordinary corporate transactions that involved Enel Produzione in 2009 and 2010, as well as to the change in the impact of non-recurring items related to early retirement incentives, which resulted in lower costs in 2010;
- > a €12.9 million decrease in *other operating expenses* due mainly to the decline in provisions for risks and charges, which was partially offset by the increase in charges for CO<sub>2</sub> emissions related to the purchase of CERs;
- > a €31.6 million increase in *costs for services* related mainly to the increase in transport capacity fees;
- > a €23.0 million increase in *depreciation, amortization and impairment* related mainly to an increase in depreciation compared with 2009 related, above all, to new plants that entered service and, to a lesser extent, a revision of the useful life of the systems at the Genoa plant;

> a €7.3 million increase in *costs for raw materials and consumables* related essentially to the purchase of electricity.

**Net income from commodity risk management** amounted to €666.9 million (€812.3 million in 2009). This performance was mainly due to the decrease in net income realized on contracts for differences (€297.7 million), lower net income on derivatives hedging the exchange rate risk on commodities (€30.9 million), lower net charges realized on commodity risk hedging derivatives (€195.9 million), and an increase in the value of outstanding derivative contracts measured at year end (€4.9 million).

**Operating income** amounted to €1,539.5 million, down €242.7 million from 2009.

**Net financial expense and charges in respect of equity investments** amounted to €64.0 million (€94.3 million in 2009), a decline of €30.3 million due mainly to the reduction of €20.4 million in interest expense accrued on installments of the special one-off tax in lieu of both corporate income tax (Ires) and regional business tax (Irap), on the intercompany current account held with the Parent Company (€4.9 million) and on borrowings from third parties (€8.2 million), as well as to an increase in net charges on derivative instruments (€6.8 million) and taking account of a decline in dividends received from shareholdings (€5.3 million).

**Net income** for the year, after income taxes of €516.4 million, came to €959.1 million (€1,036.9 million in 2009).

**Capital expenditure on property, plant and equipment and intangible assets** amounted to €627.2 million (€749.5 million in 2009).

**Net capital employed** totaled €11,343.0 million at December 31, 2010 (€11,472.0 million at December 31, 2009) and is made up of net non-current assets of €11,586.9 million, net current assets of €459.3 million, and provisions and net deferred taxes of €703.2 million.

This capital employed is funded by **equity** in the amount of €7,161.4 million (€7,381.3 million at December 31, 2009) and **net financial debt** in the amount of €4,181.6 million (€4,090.7 million at December 31, 2009).

The **workforce** at December 31, 2010, numbered 6,030, compared with 6,236 at December 31, 2009.



# Enel Green Power SpA

Enel Green Power, established on December 1, 2008, is the Enel Group company responsible for developing and managing power generation from renewable sources in line with the Group's strategies.

In 2010, Enel Green Power SpA delivered 12.2 TWh (11.7 TWh in 2009) of electricity to the grid, 6.4 TWh of which from hydroelectric generation, 5.1 TWh from geothermal, and 0.7 TWh from other sources (wind and photovoltaic). Compared with 2009, energy delivered increased by 0.5 TWh. This change was essentially due to the increase in hydroelectric power (0.2 TWh) as a result of greater water availability, mainly in the 4th Quarter of 2010, and in other sources (0.2 TWh) mainly as a result of the increase in installed wind capacity.

Electricity sales included 8.2 TWh on the Power Exchange (67.3%) and 3.4 TWh under bilateral contracts, particularly with Enel Trade and the Single Buyer (27.9%), with the remaining 0.6 TWh (4.8%) being related to subsidized energy sales.

During 2010, the most important corporate events and extraordinary operations for the company were as follows:

- > the recapitalization, on March 17, 2010, by Enel SpA waiving a portion of the financial receivable due on the intercompany current account in the amount of €3,700.0 million, allocated by the company entirely to a specific available equity reserve;
- > the acquisition, on March 22, 2010, through the subsidiary Enel Green Power International BV, of a 60% stake in ECyR (name changed to Enel Green Power España SL on May 21, 2010), which was originally a wholly-owned subsidiary of Endesa Generación SA. More specifically, this acquisition entailed the purchase of a 30% stake from Endesa Generación SA for about €325.8 million and a subsequent capital increase reserved for Enel Green Power International BV, the subscription of which was paid for by transferring its 50% stake held in EUFER and a cash payment of about €534.5 million. This transaction gave Enel Green Power International BV, following the capital increase, a total stake of 60% in Enel Green Power España;
- > the recapitalization, on June 22, 2010, of the subsidiary Enel Green Power International BV by way of a pay-

ment of €54.0 million to be allocated to a specific equity reserve;

- > the listing of a 30.8% share in the company on the Italian electronic stock market (Mercato Telematico Azionario - MTA) and on the Spanish regulated markets (in Madrid, Barcelona, Bilbao and Valencia). This was done by way of a global public offering by Enel SpA;
- > the agreement, on December 10, 2010, of a loan from the European Investment Bank (EIB) of €440.0 million, which, subject to further agreements between the parties, may be increased to up to €600.0 million. This loan will be used to finance the three-year (2011-2013) investment program for the construction and installation of new renewable energy plants – mainly small and medium-scale wind and photovoltaic systems – in Italy. On December 22, 2010, the EIB disbursed an initial tranche of the loan in the amount of €300.0 million.

**Revenues** for 2010 totaled €1,119.3 million (€1,086.9 million in 2009) and mainly comprised revenues from the sale and transport of electricity in the amount of €854.1 million (€874.3 million in 2009), revenues from the sale of green certificates in the amount of €199.5 million (€170.5 million in 2009), and revenues from other sales and services in the amount of €45.6 million (€5.9 million in 2009).

**Operating costs** came to €667.3 million (€631.7 million in 2009), comprised mainly of €313.9 million in depreciation and amortization (€300.1 million in 2009), €156.1 million in costs for services (€156.1 million in 2009), €115.8 million in personnel costs (€122.2 million in 2009), and €62.4 million in costs for raw materials and consumables (€30.3 million in 2009). The €35.6 million increase in operating costs from the previous year mainly reflects the increase in costs for raw materials and consumables (€32.1 million), which was related mainly to purchases of materials for the development projects of Italian subsidiaries that were then rebilled to those subsidiaries.

**Net income from commodity risk management** came to €80.2 million (€117.8 million in 2009) and concerned net income realized on commodity derivatives closed at December 31, 2010.

**Operating income** came to €532.2 million (€573.0 million in 2009).

**Net financial expense and charges in respect of equity investments** amounted to €26.5 million (€69.2 million in 2009), a decline of €42.7 million due essentially to a decrease in interest expense accrued on the intercompany current account with the Parent Company in the amount of €43.7 million, which was in line with the partial reduction of the debtor balance on that account following the aforementioned recapitalization by Enel SpA.

**Net income** for the year, after income taxes of €161.4 million, came to €344.3 million, an improvement of €22.8 million over the previous year.

**Capital expenditure on property, plant and equipment and intangible assets** amounted to €424.6 million (€343.0 million in 2009).

**Net capital employed** totaled €8,218.6 million at December 31, 2010 (€6,760.9 million at December 31, 2009), and is made up of net non-current assets of €8,055.2 million (€6,945.1 million at December 31, 2009), net current assets of €175.2 million (a negative €103.1 million at December 31, 2009), and provisions and net deferred taxes of €11.8 million (€81.1 million at December 31, 2009). Net capital employed is funded by shareholders' equity of €6,302.7 million (76.7%) and by net financial debt of €1,915.9 million (23.3%).

At December 31, 2010, **shareholders' equity** totaled €6,302.7 million, increasing by €4,012.0 million from December 31, 2009, due essentially to the aforementioned recapitalization of the company (€3,700.0 million) and to the net income for the year (€344.3 million).

The **workforce** at December 31, 2010, numbered 1,682, compared with 1,668 at December 31, 2009.

## 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 of 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 2010, the company distributed a total of around 246.3 TWh of electricity (240.2 TWh in 2009) to around 31 million end users (in the free and in the enhanced protection and safeguard markets). The 2.5% increase in electricity distributed reflects the increase in demand for electricity in Italy, which came to 326.2 TWh in 2010, as compared with 320.3 TWh for the previous year.

The liberalization of the electricity market gave a significant boost to customer growth, for a net increase of about 1.4 million customers on the free market.

During 2010, the most important corporate events and extraordinary operations for the company were as follows:

- > the signing, on January 25, 2010, of a framework agreement with the Ministry for Economic Development regarding a program to create and manage infrastructures aimed at connecting photovoltaic plants with capacities in the range of 100 MW to 1 MW to medium-voltage grids. The program is to be carried out in 4 pilot areas in the regions of Calabria, Campania, Puglia and Sicily, where the Ministry has noted particular interest in the construction of photovoltaic power plants;
- > the signing, on December 13, 2010, of four framework agreements between the Ministry for Economic Development, Enel Distribuzione SpA and the Regions of Calabria, Campania, Puglia and Sicily for the execution of structural projects in order to develop the distribution network, so as to connect renewable energy power plants;
- > the transfer, on December 31, 2010, of the business unit related to electricity distribution in the Province of Bolzano to SELNET Srl – on a tax neutral basis – and, at the same time, the sale of a 90% stake in the company to Società Elettrica Altoatesina SpA for €71.1 million.

**Revenues** for 2010 totaled €7,286.8 million (€7,185.6 million in 2009) and included:

- > revenues from the transport of electricity, including the effect of the equalization mechanisms, amounting to €6,223.1 million (€5,684.3 million in 2009). Compared with the previous year, this was an increase of €538.8 million and was due, essentially, to recognition of the rate component for the early replacement of old electromechanical meters (€691.0 million);
- > other revenues amounting to €1,063.7 million (€1,501.3 million in 2009), a decline of €437.6 million from the previous year, which included the net gain realized on the sale of the equity investment in Enel Linee Alta Tensione Srl to Terna (€309.5 million) and the adjustment of the payment for the sale of the distribution networks in the cities of Milan and Rozzano in 2002 (€88.2 million).

**Operating costs**, in the amount of €4,419.2 million (€4,095.4 million in 2009), increased by €323.8 million due mainly to the following:

- > an increase in costs for services (€209.6 million) due essentially to the increase in the average price for transporting the energy withdrawn from the national transmission grid and from the grids of other operators, as well as costs for the use of the high-voltage lines sold to Terna on April 1, 2009;
- > an increase in other operating expenses (€215.0 million) related to the increase in accruals to provisions for risks and charges (€119.2 million), the increase in costs related to the purchase of white certificates (€27.1 million), and the recognition in 2010 of adjustment payments and other amounts related to the contract for the sale of the equity investment in Enel Rete Gas (€70.4 million);
- > a reduction in personnel costs (€94.5 million) due essentially to the decline in costs for early retirement incentives.

**Operating income** for 2010 totaled €2,867.6 million (€3,090.2 million in 2009), a decrease of €222.6 million over the previous year.

**Net financial expense and charges in respect of equity investments**, in the amount of €156.9 million (€181.6 million in 2009), declined by €24.7 million due essentially to the decrease in interest expense accrued on the intercompany current account with the Parent Company (€24.8 million).

**Net income** for the year from continuing operations came to €1,765.9 million (€2,076.0 million for 2009), net of income taxes for the year of €944.8 million (€832.6 million in 2009).

The **net result** for the year from discontinued operations came to zero (a loss of €55.9 million in 2009). During the previous year, this figure reflected the loss, net of tax effects, related to 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 €1,119.2 million (€1,071.3 million in 2009).

**Net capital employed** totaled €12,079.9 million at December 31, 2010 (€11,645.3 million at December 31, 2009) and is made up of net non-current assets of €14,441.5 million, net current assets of a negative €1,107.8 million, and provisions and net deferred taxes of €1,253.8 million. Net capital employed is funded by shareholders' equity of €8,903.9 million (73.7%) and by net financial debt of €3,176.0 million (26.3%).

The **workforce** at December 31, 2010, numbered 18,681, compared with 19,229 at December 31, 2009.

# 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), the company's corporate purpose 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 no. 337/07 of the Authority for Electricity and Gas (the Authority), these customers were assigned on the basis of a tender to free market electricity vendors as from May 1, 2008.

In 2010, demand for electricity in Italy totaled 326.2 TWh, an increase of 1.8% over 2009.

Electricity sold by Enel Servizio Elettrico during the year totaled 67.6 TWh and was sold entirely on the enhanced protection market.

In 2010, the Authority, with resolution:

- > ARG/elt no. 190/10, remunerated the additional charges incurred by those providing transitional safeguard services as a result of difficulties in collecting receivables from customers temporarily served on the safeguard market, which enabled Enel Servizio Elettrico to recognize greater rate-related revenues related to prior years in the amount of €91.1 million;
- > ARG/elt no. 192/10, established the compensation mechanism pursuant to Article 24 of the Integrated Sales Code (TIV), which resulted in the recognition of greater rate-related revenues for 2008 in the amount of €36.5 million.

In the latter part of 2010, the company began negotiations with a number of banks and factoring companies in order to assess the options for the non-recourse assignment of a portion of its receivables. These negotiations led to the following transactions:

- > a transaction with SACE FCT SpA for the non-recourse assignment of receivables essentially in respect of

central and local government entities;

- > the non-recourse securitization in collaboration with Banca IMI (Intesa Sanpaolo Group) of receivables entirely in respect of government entities. The transaction differed from the others in that the assignment of receivables will be made to a special purpose vehicle (Vintage Finance Srl) established by the bank pursuant to the law on securitization (Law 130/99).

Of the total amount of the receivables being assigned (a nominal value of €79.8 million), €65.1 million net of interest and commissions were collected in 2010.

**Revenues** for 2010 totaled €10,451.9 million and were mainly related to revenues from the sale and transport of electricity in the amount of €9,711.3 million, as well as to grid-connection fees in the amount of €525.1 million. Compared with 2009, revenues declined by €844.2 million due essentially to a decrease in revenues from the sale and transport of electricity (€829.8 million) as a result of a decline in quantities sold, a reduction in average revenues to cover generation costs, and a decrease in revenues recognized for sales and marketing services, which was in line with the decrease in the average electricity purchase price.

**Operating costs**, in the amount of €10,356.4 million, were related essentially to the purchase of electricity (€6,048.8 million), mainly from the Single Buyer (€6,045.5 million), and to costs for services (€3,823.4 million), €3,680.4 million of which paid to Group companies related essentially to electricity transport (€3,040.1 million) and grid-connection services (€406.6 million). The decrease in operating costs from the previous year, in the amount of €892.2 million, was essentially due both to a reduction in electricity purchases from the Single Buyer (€733.8 million) and to a decline in costs for electricity transport paid to Group companies (€214.7 million).

**Operating income**, which totaled €95.5 million, improved by €48.0 million compared with 2009.

**Net financial expense and charges in respect of equity investments** amounted to €7.0 million, and include financial expense in the amount of €25.6 million, financial income in the amount of €18.2 million, and income from equity investments in the amount of €0.4 million. Compared

with 2009, net financial expense declined by €2.8 million due essentially to the decrease in interest expense accrued on the intercompany current account with the Parent Company and on security deposits, partially offset by an increase in financial expense related to non-recourse transactions.

**Net income** for 2010 came to €21.3 million, after taxes for the period amounting to €67.2 million.

**Capital expenditure on property, plant and equipment and intangible assets** totaled €20.8 million, €18.8 million of which related to intangible assets, essentially comprising invoicing and credit management systems.

**Net capital employed** totaled a negative €1,156.9 million at December 31, 2010, and is made up of net non-current assets of €71.5 million, net current assets of a negative €1,220.2 million, provisions of €168.7 million, and net deferred tax assets in the amount of €160.5 million.

At December 31, 2010, **shareholders' equity** amounted to €76.9 million, an increase of €21.3 million compared with December 31, 2009, as a result of the net income for the year.

**Net liquidity** totaled €1,233.8 million, up €661.8 million.

The **workforce** at December 31, 2010, numbered 2,795, compared with 2,953 at December 31, 2009.

## 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.

For the period from January 2009 to December 2010, Enel Energia was assigned the safeguard service for the following areas: 1) Piedmont, Valle d'Aosta and Liguria; 2) Lombardy; 3) Sardinia; 8) Campania; 9) Lazio, Abruzzo and Molise; 10) Puglia, Basilicata; 11) Calabria; and 12) Sicily. For 2011-2013, the company was awarded the safeguard service for the following five areas: Umbria and Marche, Sardinia, Campania, Basilicata and Calabria, and Sicily.

In 2010, Enel Energia strengthened its leadership in the Italian free market by focusing on the combined sale of electricity and gas. The company closed 2010 with around 3.6 million free-market electricity customers and around 3.0 million gas customers.

In 2010, Enel Energia continued the non-recourse assignment of its receivables; a number of such transactions had already begun in the latter part of 2009.

More specifically, the company:

- > continued the non-recourse assignment with Unicredit Factoring mainly regarding receivables from government bodies, as well as from private-sector customers;
- > continued the transaction with Ifitalia (BNP Paribas Group) for the non-recourse assignment of receivables from central and local government bodies;
- > continued the non-recourse securitization of receivables in collaboration with Banca IMI (Intesa Sanpaolo Group), related entirely to government bodies;
- > started a transaction with SACE FCT SpA for the non-recourse assignment of receivables related to national and local government bodies;
- > started a transaction with CREDEM Factoring for the non-recourse assignment of receivables related to national and local government bodies;
- > started a transaction with Crédit Agricole for the non-recourse assignment of receivables from private-sector customers.

Of the total amount of the receivables being assigned (a nominal value of €1,707.8 million), €1,645.6 million net of interest and commissions were collected in 2010.

**Revenues from sales and services** amounted to €9,122.7 million (€9,963.6 million in 2009) and refer mainly to the sale of electricity (€4,622.7 million) and gas (€1,821.2 million) and to transport revenues (€2,622.7 million). Compared with 2009, revenues declined by €840.9 million due essentially to a decline in revenues from the sale and transport of electricity as a result of the lower quantities sold mainly to the business-customer segment.

**Operating costs** amounted to €8,644.7 million (€9,186.9 million in 2009), mainly for electricity purchases of €3,620.8 million, gas purchases of €1,543.8 million, and service costs of €3,095.1 million. The €542.2 million decline from the previous year was mainly due to the reduction in costs for the purchase and transport of electricity, in line with the decrease in quantities sold, which was partially offset by an increase in costs for the provisioning, transmission and transport of gas due essentially to an increase in quantities sold.

**Net charges from commodity risk management** came to €619.2 million (€904.9 million in 2009) and include €633.2 million for the net charge realized on positions closed during the year and €14.0 million in net unrealized gains on commodity derivatives outstanding at December 31, 2010.

The **operating loss** of €107.3 million (€109.9 million in 2009) is an improvement of €2.6 million from the previous year.

**Net financial expense**, in the amount of €32.8 million (€22.3 million in 2009), increased by €10.5 million due essentially to the increase in interest expense on the intercompany current account with Enel SpA and to the increase in interest expense on receivable assignments completed in 2010.

The **net loss** for the year, after income tax credits of €40.2 million, came to €99.9 million (€103.6 million in 2009).

**Capital expenditure on property, plant and equipment and intangible assets** totaled €40.8 million and mainly included industrial patents and intellectual property rights.

**Net capital employed** at December 31, 2010, came to €1,808.0 million (€1,603.9 million at December 31, 2009), funded by shareholders' equity of €1,079.2 million (59.7%) and net financial debt of €728.8 million (40.3%).

**Shareholders' equity** at December 31, 2010, was €1,079.2 million. Compared with December 31, 2009, this represents an increase of €229.5 million due essentially to an adjustment to the reserve for the measurement of financial instruments used for cash-flow hedging in the amount of €329.2 million, which was partially offset by the recognition of the net loss for the year of €99.9 million.

The **workforce** at December 31, 2010, numbered 1,010, compared with 990 at December 31, 2009.

## Enel Trade SpA

In 2010, Enel Trade managed the procurement of fuels for Enel Group power plants and natural gas for Enel Energia SpA, as well as the direct sale of gas to distributors outside the Group.

The company also traded in energy products on domestic and international markets, provided shipping services and sold electricity to Enel Energia and to wholesalers outside the Group. Furthermore, the company engaged in proprietary trading of energy commodities on 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> emission allowances need-

ed for the Group's generation companies to comply with the applicable regulations.

In 2010, the company sold 171.0 TWh of electricity (151.3 TWh in 2009), 51.8 TWh of which to companies of the Enel Group, 48.6 TWh to domestic third parties, and 70.6 TWh to foreign third parties. A total of 19.9 million tons of oil equivalent (20.2 Mtoe in 2009) in fuels were also traded, 15.4 Mtoe of which with the Group and 4.5 Mtoe with third parties. Finally, the company sold CO<sub>2</sub> allowances (EUAs/CERs) for 6.7 million metric tons of CO<sub>2</sub>.

During 2010, the most important corporate events and extraordinary operations for the company were as follows:



- > the liquidation, on February 3, 2010, of the wholly-owned subsidiary Enel Comercializadora de Gas SA, a Spanish firm established in 2002 for the purpose of developing the gas processing and sales business in Spain. This implemented the decision, approved by the Board of Directors on November 17, 2009, to liquidate the company following Enel's acquisition of a controlling interest in the Endesa Group and the consequent end of current or future utility of the company;
- > the acquisition, on April 20, 2010, of a 100% interest in Longanesi Developments Srl, which was subsequently renamed Enel Longanesi Developments Srl, following agreements signed in November 2009 by Enel Trade and the companies Grove Energy Limited and Grove Energy Srl, which are subsidiaries of the Canadian firm Stratic Energy Corporation;
- > the recapitalization, on June 28, 2010, of the wholly-owned subsidiary Enel Trade Hungary in the amount of about €1.0 million;
- > the recapitalization, on December 6, 2010, of the company by way of Enel SpA waiving a portion of the financial receivable on the intercompany current account in the amount of €800.0 million, which the company allocated in its entirety to a specific available equity reserve in consideration of the commercial role that Enel Trade has played for a number of years for the Group, as well as the need to bring its credit standing up to the same level as competitors of similar size and characteristics;
- > the recapitalization, completed on December 17, 2010, of the wholly-owned subsidiary Enel Trade Romania in the amount of about €17.0 million.

In addition, during the year, as part of initiatives to optimize the net working capital of Enel Trade, a number of without-recourse assignments of receivables due from the Single Buyer were carried out with Unicredit Factoring. The total proceeds generated by the transactions amounted to about €198.1 million.

**Revenues from sales and services** for 2010 amounted to €15,020.2 million (€14,835.0 million in 2009), an increase of €185.2 million compared with the previous year due mainly to an increase in revenues from fuel sales (up €213.1 million) related essentially to a generalized increase in prices on international markets on volumes that remained essentially unchanged, as well as to an increase in revenues from the sale of electricity (up €70.4 million) as a result of an increase in volumes traded, which more than offset the decline in prices. Partially offsetting this in-

crease was a decline in revenues from other sales and services (down €98.3 million) due essentially to lower sales of green certificates and a decline in contributions from the Electricity Equalization Fund.

**Operating costs** came to €15,090.7 million (€14,490.0 million in 2009), an overall increase of €600.7 million, related mainly to the purchase of raw materials and consumables, particularly for the purchase of fuels (up €368.7 million), electricity (up €184.9 million), and materials, essentially in the form of CO<sub>2</sub> certificates (up €231.1 million). This increase was partially offset by a €204.8 million decrease in other operating costs due, in particular, to the decline in green certificates purchased.

**Net income from commodity risk management** came to €140.0 million, compared with income of €68.3 million the previous year. It was related to contracts for differences in the amount of €48.6 million and other contracts on energy and oil commodities in the amount of €91.4 million.

**Operating income** for 2010 came to €73.7 million, down €419.1 million from 2009.

**Net financial expense and charges in respect of equity investments** amounted to €33.1 million (€24.5 million in 2009). The net decrease of €8.6 million was mainly due to exchange rate differences (down €22.1 million), only partially offset by transactions in derivative instruments to hedge exchange rate volatility, which were executed by Enel SpA (up €17.2 million).

**Net income**, after income taxes of €10.2 million, came to €30.4 million (€287.2 million in 2009).

**Net capital employed** at December 31, 2010, came to €1,301.4 million, up €1,019.8 million from the end of 2009, and was made up of net non-current assets in the amount of €102.9 million, net current assets of €1,273.1 million, and provisions of €74.6 million.

This capital employed is funded by **shareholders' equity** in the amount of €942.3 million (€414.9 million at December 31, 2009) and **net financial debt** in the amount of €359.1 million (net financial liquidity of €133.3 million at December 31, 2009).

The **workforce** at December 31, 2010, numbered 322, compared with 293 at December 31, 2009.



# Enel Energy Europe SL

This Spanish 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.

**Net operating costs**, totaling €1.1 million (€0.1 million in 2009), increased by €1.0 million due essentially to an increase in personnel costs of €1.0 million as a result of an increase in the workforce, which reached 31 employees at December 31, 2010 (compared with 2 at December 31, 2009).

As a result of the above, the company posted an **operating loss** of €1.1 million.

**Net financial income and income from equity investments**, totaling €203.2 million (€4,381.6 million in 2009), decreased by €4,178.4 million compared with the previous year and included the following:

- > *income from equity investments* in the amount of €1,002.0 million (€4,673.8 million in 2009) that include the additional dividend on 2009 earnings as approved by the Endesa shareholders on June 21, 2010 (€514.6 million) and the interim dividend on 2010 earnings approved by the Board of Directors on December 20, 2010 (€487.4 million). In 2009, this item included the total dividend for 2008 as approved by the company's shareholders on June 30, 2009 (€4,186.4 million), together with the interim dividend for 2009 (€487.4 million);
- > *net financial expense* of €798.8 million (€292.1 million in 2009) related essentially to interest expense (€779.1

million) accrued on the long-term loan with an original balance of €10,000.0 million obtained on November 30, 2009, from Enel Finance International and subsequently increased to €18,000.0 million in 2010. The overall increase of €506.7 million from 2009 is due to the increase in the average debt level with Enel Finance International, as well as to the increase in interest rate applied on the aforementioned line of credit, as established by the new terms of the financing agreement, which extended the final repayment date from November 30, 2012, to November 30, 2019.

**Net income for 2010** came to €529.7 million.

**Net capital employed** at December 31, 2010, amounted to €38,599.1 million and essentially comprises net non-current assets of €37,767.9 million, which reflects the value of the equity investment in Endesa (a 92.06% interest), and positive net current assets of €791.6 million.

At December 31, 2010, **shareholders' equity** amounted to €19,863.6 million, an increase of €529.7 million compared with December 31, 2009, as a result of the net income for the year.

**Net financial debt** at December 31, 2010 totaled €18,695.5 million.

The **workforce** at December 31, 2010, numbered 31 people (compared with 2 at December 31, 2009).

# 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.

During 2010, the most important corporate events and extraordinary operations regarding the company were as follows:

- > the subscription, in March 2010, of its portion of the capital increase of Energonuclear SA with payment of €1.4 million;

- > the completion, in April and November 2010 as part of the reorganization of the Enel Group companies operating in the renewable energy industry, of the liquidation of Latin America Energy Holding BV, a wholly-owned subsidiary, and of Enel Green Power Holding Sarl, of which 32.89% was held by Enel Investment Holding BV and 67.11% by Enel Produzione SpA;
- > the sale, in December 2010, of the 100% stake held in Enel Operations Belgium SA to Marcinelle Energie SA for €0.16 million.

**Costs** amounted to €4.8 million in 2010 (€19.5 million in 2009), essentially for depreciation, amortization and impairment losses in the amount of €2.9 million related to the exchange rate loss on payment of the share premium in US dollars by Artic Russia to Enel Investment Holding following Artic Russia's receipt of its share of the second tranche related to the sale of 51% of SeverEnergia.

**Net financial income and income from equity investments**, in the amount of €46.2 million, include:

- > income from equity investments in the amount of €93.9 million related to the dividends distributed by Res Holding BV (€42.2 million) and Enel France SAS (€51.7 million);
- > net financial expense in the amount of €47.7 million due mainly to the financial charges realized on derivative instruments (€32.0 million) and net interest expense accrued on the intercompany current account with Enel SpA (€14.2 million).

**Net income** for the year came to €41.8 million (compared with the loss of €30.2 million posted in 2009).

**Net capital employed** totaled €5,144.6 million at December 31, 2010 (€4,883.9 million at December 31, 2009), and is made up of net non-current assets of €5,304.4 million, related essentially to the equity investments held, and net current assets of a negative €159.8 million.

**Shareholders' equity** came to €4,328.6 million (€3,916.8 million at December 31, 2009), an increase of €411.8 million from December 31, 2009) due essentially to the earnings posted during the year and to the increase in the fair value of available-for-sale investments in Echelon Corporation and PT Bayan Resources (€360.5 million).

**Net financial debt**, in the amount of €816.0 million (€967.1 million at December 31, 2009), essentially represents the debtor position with the Parent Company in the amount of €819.5 million (a debtor balance of €1,119.3 million at December 31, 2009).

The **workforce** at December 31, 2010, numbered 3 employees and was unchanged from the previous year.

## Enel Finance International NV

This company, previously named Enel Trading Rus NV, is registered in the Netherlands and acts as a holding company for equity investments and other financial assets, both with companies of the Group and with third parties.

On December 1, 2010, as part of an internal reorganization aimed at rationalizing the company's businesses and reducing personnel and infrastructure expenses, the company absorbed the Luxembourg firm Enel Finance International SA, a wholly owned subsidiary of Enel SpA, by way of a transnational merger.

The surviving company acquired all of the assets and liabilities of the company absorbed as a result of the universal succession. The merger, effective retroactively for accounting purposes as of January 1, 2010, took place at book values and involved the issue of new shares for a total value of €1,478.8 million. The shares that Enel SpA held in the company absorbed were eliminated for the same amount. During 2010, the company:

- > received full repayment of the revolving credit lines granted to Enel Green Power France Sas, Enel Green Power Romania Srl, Enel Green Power Bulgaria EAD, Enel Rus LLC, and Impulsora Nacional De Electricidad Srl de Cv;
- > received full repayment of the two revolving credit lines granted in 2008 and 2009 to Enel Investment Holding BV;
- > increased the revolving credit lines granted to Enel France SA in 2007 and to Enel Lease EURL in 2009 to €480.0 million and €35.0 million, respectively. At the end of 2010, the drawings on these lines of credit were €380.3 million and €32.6 million, respectively;
- > increased the revolving credit lines granted in 2009 to Enel Trade Hungary Kft and Enel Trade Romania Srl to €10.0 million and RON 600 million, respectively. At the end of 2010, the balances on these lines of credit were €1.6 million and RON 45.7 million (€10.7 million), respectively.

It should also be noted that the revolving credit line granted to Artic Russia BV in 2007 in the amount of \$ 200.0 million was drawn in the amount of €69.1 million at December 31, 2010.

On January 1, 2008, the company had also granted two long-term loans to the Parent Company in the amount of €2,644.3 million and €7,865.0 million, both falling due on December 31, 2013, and also opened a short-term revolving line of credit of €4,000.0 million, which was drawn in the amount of €536.0 million at December 31, 2009. On February 1, 2010, the first loan was repaid in full, while the second has been renegotiated for a remaining balance of €2,500.0 falling due in 15 years. The revolving credit line was paid in full in 2010.

Regarding the medium and long-term financing granted in the past to Group companies, of particular note were the increase to €18,000.0 million and extension of the due date to November 30, 2019 of the original €10,000.0 million line of credit granted to Enel Energy Europe on November 30, 2009, as well as the repayment of the €17.5 million in financing granted to Enel Unión Fenosa Renovables SA on December 17, 2009, following the reorganization of the Renewable Energy Division.

Of note among new financing granted is the 8-year (renewable) multi-currency (euros, US dollars, and any other currency needed) line of credit granted in July 2010 to Enel Green Power International BV in the amount of €2,500.0 million, which was drawn in the amount of €617.5 million at the end of December 2010, and the revolving credit line granted on March 15, 2010, to Marcinelle Energie SA in the amount of €220.0 million with an initial due date of December 2010, subsequently extended to December 2011. At December 31, 2010, this line of credit was drawn in the amount of €117.6 million.

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, the outstanding balance used by the company at December 31, 2010, was €2,692.4 million.

Regarding the Euro Commercial Paper (ECP) Programme that the company initiated in 2005 for a limit of €4.0 billion – subsequently increased to €6.0 billion in May 2010 – with the company as the issuer and Enel SpA the guarantor, the total of the commercial paper issued and not repaid came to €5,334.6 million at December 31, 2010.

Also of note in 2010 was the renewal of the Global Medium-Term Notes program for a total of €25 billion, the issuers of which are Enel Finance International NV and Enel SpA. At December 31, 2010, the program was used, for multi-tranche bond issues in 2007, for a total of \$ 3.5 billion and ¥ 20.0 billion, equivalent to a total of about €2.6 billion, as well as for multi-tranche bond issues in 2009 in euros, pounds and US dollars for a total equivalent value of just under €10.0 billion. In 2010, no new notes were issued, and the balance in euros of the notes outstanding was €13.0 billion at December 31, 2010.

**Net other charges** amounted to €0.3 million, and reflect €1.8 million in costs related to operations (€1.4 million), personnel costs (€0.4 million), and income of €1.5 million related to the final gain on the liquidation of the 100% stake held in Enel Ireland Finance Ltd on December 27, 2010.

**Net financial income and income from equity investments**, totaling €99.9 million, was mainly related to the company's financing activities, as well as to the realized and unrealized exchange rate differences in connection with lending activities in foreign currencies, net of the related hedges.

**Net income** for the year, after income taxes of €21.8 million, came to €77.8 million.

**Shareholders' equity** amounted to €1,258.7 million, while **net liquidity** came to €1,281.2 million.

The **workforce** numbered 3 employees at December 31, 2010.

# 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 and training of personnel, the management and optimization of the property portfolio and the management of ICT systems on behalf of all Group companies.

Following the acquisition in 2009 by Enel SpA of a 100% stake in Sfera Srl and its subsequent merger on May 1, 2010, with an effective date for accounting purposes of January 1, 2010, the company's operating structure now includes, in addition to the units of Information and Communication Technology, Real Estate & Service Management, Administration, Human Resources, and Purchasing, also the Enel University unit, which was created specifically for human resources training, the development of professional and management skills, and the evolution of Enel into a market-oriented, multinational organization.

It should also be noted that, in 2009, the Board of Directors of Enel SpA approved the plan to establish a fund to be seeded by Group properties not used in operations and hired Fimit SGR to set up and manage the fund. Following this decision, the Board of Directors of Enel Servizi approved the seeding of the fund with its own properties not used in operations for a total of about €180 million and granted Fimit SGR the related agency agreement.

The seeding of the fund, originally scheduled to begin on December 31, 2009, was postponed on a number of occasions in 2010, initially due to delays in approval of the rules of the fund by the Bank of Italy and then due to a lack of clarity in legislative changes as a result of approval Law 122/2010.

In this regard, in 2010 Enel Servizi renewed its agency agreement with Fimit SGR, including a withdrawal clause that may be exercised 30 days before the final date scheduled for the completion of the first seeding transaction, which is set for June 30, 2011.

**Revenues** for the year came to €1,083.7 million (€1,031.1 million in 2009), an increase of €52.6 million due essentially to the increase in revenues from services, which was largely related to telecommunications and equipment maintenance, as well as to an increase in revenues on construction contracts related to IT projects and work to adapt and renovate properties (mainly for Group compa-

nies) and to revenues for training activities, mainly for the personnel of Group companies related to the aforementioned merger of Sfera. These increases were partially offset by a decline in revenues on the sale of land and buildings to third parties.

**Operating costs** totaled €1,043.5 million (€997.0 million in 2009), an increase of €46.5 million that was due essentially to an increase in costs for services and leases and rentals (€45.2 million), basically in respect of an increase in costs for data transmission services and for maintenance and repairs related to engineering works and to the maintenance and management of information systems.

**Operating income** totaled €40.2 million (€34.1 million in 2009).

**Net financial expense** amounted to €13.6 million (€13.2 million in 2009) and reflected €0.5 million in financial income related mainly to interest income accrued on the intercompany current account (€0.3 million) and €14.1 million in financial expense related essentially to the accretion of provisions related to personnel (€6.2 million), interest expense and other charges on medium and long-term financing (€6.0 million), and costs on derivative instruments (€1.1 million).

**Net income**, after income taxes of €21.5 million, came to €5.1 million (€4.2 million in 2009).

**Capital expenditure on property, plant and equipment and intangible assets** amounted to €79.4 million.

**Net capital employed** totaled €561.9 million and is made up of net non-current assets of €638.6 million, net current assets of €106.7 million and provisions and net deferred tax assets of €183.4 million. Net capital employed is funded by **shareholders' equity** of €499.1 million and by **net financial debt** of €62.8 million.

The **workforce** at December 31, 2010, numbered 3,954 (4,030 at December 31, 2009).

# Human resources and organization

## Organization

The following main events regarding the organization occurred in 2010.

As regards business operations:

- > under the Performance Improvement project, aimed at creating value through the achievement of synergies, Enel and Endesa have chosen the following organizational initiatives:
  - Commodities Trading: centralized management of market execution activity;
  - Coal, Liquids and Freight: central coordination through the selection of a Group lead buyer to ensure the achievement of synergies and optimization of the Enel and Endesa gas portfolios through close coordination between these two companies;
  - Upstream Gas: creation of an Upstream Gas Committee responsible for examining upstream activities in order to ensure that they are in line with the demand for gas within the Group;
  - Coal, Liquids and Freight: central coordination through the selection of a Group lead buyer to en-



- Power Trading: centralized management of activities in European electricity markets (with the exception of those in the Iberian peninsula, where Endesa is responsible);
  - CO<sub>2</sub>: creation of a central carbon strategy department responsible for establishing and implementing the compliance strategy, origination activities, portfolio optimization and commercial actions in all carbon credit markets;
  - Gas: creation of a Gas Supply Committee responsible
- sure that procurement needs are met, costs are optimized, and Group synergies are achieved;
  - > work has continued towards achieving the functional separation of the distribution activities of the Infrastructure and Networks Division in compliance with unbundling regulations;
  - > with regard to the International Division, work continues to integrate and rationalize the various businesses acquired, in part by aligning procedures within the various countries with the operating rules and princi-

ples established in the Integration Handbook. Also of note is the definition of a new organizational structure for the Russian company Enel OGK-5, which included, for example, the creation of the Risk Management unit and designation of a head of generation operations;

- > as regards Enel Green Power and its IPO, the system of procedures has been analyzed in order to verify the operating requirements that have been established for companies listed on the markets run by Borsa Italiana. As a result of this analysis, changes were made to the Group's procedures, and specific organizational procedures were issued for Enel Green Power, with a focus on key processes such as industrial planning, budgeting and approval, and investment control.

Finally, with regard to integration:

- > the governance arrangements for the Global In Enel portal were established for the entire Group. The project is 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 belonging to a team and involvement in company strategies;
- > work continues on implementation of the Enel Business Process Modeling (EBPM) project, the goal of which is to define and implement an integrated Group management model for business process modeling,

which is needed in order to rationalize and coordinate the various process needs (integrating processes, risks, controls and information systems). In particular:

- the organizational setup process was completed, which entailed identifying the organizational units responsible for these activities and related staffing;
- the process-modeling infrastructure has been completed, and the related information assets (risks, controls and information systems) have been added. During the 1st Half of 2011, the infrastructure for accessing the content and the portal for employees are to be completed;
- work is under way to map the processes of the Italian companies, with completion scheduled for the end of June 2011;
- process mapping has begun for Slovakia, and is expected to be completed by the end of December 2011;
- activities for Romania, Russia and France are to begin in the first four months of 2011;
- analysis has begun for the implementation of this project within the Endesa Group, and the related business case is to be completed by the end of June 2011;
- > Project Overhead has begun with the goal of increasing the efficiency and effectiveness of staff functions within the Group.

## Development and training

Development efforts focused on three main areas: evaluation processes, the talent management system, and the "climate" study.

With regard to evaluation processes, starting this year all employees of the Italian Divisions took part in the performance review in addition to all the Group managers who were involved in past reviews, for a total of about 28,000 persons reviewed. This is a progression of the performance review system, anticipated in 2008 with the pilot review conducted on office staff in the Sales Division. It is in line with the feedback received from the 2008 climate study, as well as with the recommendations made by analysts representing ethical funds.

The new performance review was accompanied by a

multi-pronged communications campaign, training programs tailored for target populations, improvements in online tools and a distributed tutoring mechanism.

As in 2009, in early 2010 the Group's first and second-line managers and the level-one talent pool (TP1) took part in Feedback 360°, which was extended this year to the top management of Endesa and, on an experimental basis, to new management segments (the entire expatriate population of the International Division, the first-line managers of Enel North America, the management of the Energy Management professional family and the first-line HR managers of Endesa) for a total of 250 persons evaluated and 1,815 evaluators.



With regard to the evaluation of technical skills, the 1st Half of the year was dedicated to bringing the knowledge of the Administration, Finance and Control (AFC), Information & Communication Technology and Safety (ICT and Safety) professional families up to date. In particular, the skills refreshment provided to the AFC professional family marked the conclusion of the pilot evaluation begun in 2009 of the all workers in the area for all the countries in which the Group operates (with the sole exception of Endesa at this stage), totaling 1,500 people. In addition, in the fourth Quarter, a pilot mapping and assessment project began for ICT and Safety, which involved some 260 ICT people in Italy and Romania, as well as a number of Endesa employees in Spain and Colombia. For Safety, some 150 people from the International Division and Enel Green Power were involved. In 2011, beginning with the analysis of the results from the pilot phase, efforts will begin to review the model and identify actions that focus on these professional families.

As concerns the talent management system, the focus for the 1st Half of the year was on revising the system introduced in 2008 by introducing greater structure and fostering mobility, particularly through developing closer connections with the succession management process, integrated in the annual performance review.

Finally, with regard to the climate study, the first part of the year was dedicated to monitoring actions taken after the second global study conducted at the end of 2008. The third survey was then designed and conducted in December on an even wider international scale, which involved about 80,000 people in 22 countries. The first few months of 2011 will be crucial for the sharing of results and the identification of improvement measures.

With regard to training, the three main areas of focus for Enel University concerned the systematizing and revision of a number of key initiatives to complete the leadership curriculum, the support of integration of the countries in the International Division, and the development of new technical and functional academies.

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. At the start of the year, the Welcome in Enel program introduced two training paths for new hires who are not recent graduates, one aimed at university graduates and the other at secondary-school graduates. Also in 2010, the 5-day Enel Business & Leadership training program for all senior management in Italy and within the International Division, conducted in collaboration with LUISS and Alma Mater, was completed;
- > programs related to the results of performance reviews: in addition to the 12 training modules for middle management scheduled in 2009 and carried out in 2010 for various targets (management, resources managers, professionals), several training modules were designed for office staff (PPR Junior Professional and PPR office staff), 13 editions of which were tested in 2010;
- > programs for the talent pools: a special edition of the Leadership for Energy Executives Program (in partnership with Harvard Business School) was developed and held for the Group's senior management. Also in 2010, three editions of another key program targeted at the talent pools, i.e. the Leadership for Energy Management Program (in partnership with IESE and Bocconi) for the level-two talent pool (TP2), were held.

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 order to be able to develop and maintain technical skills on their own in the future.

Finally, the technical academies for power generation, engineering and plant construction have been started up, as have the functional academies for Human Resources; Administration, Finance and Control; Legal Affairs; and Purchasing.



# Hiring

In 2010, the Hiring & University Relations unit focused on the process of recruiting and hiring young university and secondary-school graduates and on training them in line with the various professional career paths within the organization, while also promoting and strengthening Enel's image as an "employer of choice" in the eyes of the highest value segments of the job market, thereby enabling the organization to obtain, for the second year in a row, CRF Institute certification as a "Top Employer".



The channels and mechanisms used to gather applications included, most importantly, the organization's website, as well as direct contact with the schools with which we have active partnership agreements. The most critical technical skills (such as those that are related to plant design, environmental impact, plant safety, upstream gas, and renewable energy) have been selected by way of specific agreements with specialized recruiting firms, some of which also work abroad.

The selection process included phases focusing on both an assessment of behavior and motivation and on more technical and professional aspects. A variety of methods were used throughout the selection process depending on the target population. For young university graduates in particular, assessment centers were used, which also conducted tests of proficiency in English.

In Italy, after about 5,800 interviews, 1,075 people were hired in 2010, with some 75% being recent university or secondary-school graduates, of which 40% university graduates (with 41% of these being female) and 60% secondary-school graduates.

With regard to recruiting efforts specifically, the focus was mainly on the technical areas of the Engineering and Innovation Division, on the operational areas of the Infrastructure and Networks Division, on the areas of the Generation and Energy Management Division, on the technical and sales areas of the Renewable Energy Division, and on the customer service area of the Sales Division. More specifically, and in line with previous years, significant recruiting efforts concerned the Plant Development & Construction area, to which 70 new hires were added, and the

Nuclear area, which reached a total of 181 employees. The Infrastructure and Networks Division, in turn, received new technical and operational personnel throughout Italy in the area of plant management and maintenance. In addition, we have continued strengthening the business areas of the Sales Division through the quality-promoter project, which resulted in hiring around 30 young university graduates. The Renewable Energy Division was also strengthened with the addition of 60 new hires.

In line with activities during the 1st Half of the year, corporate staff areas – and governance in particular – were further strengthened through the junior-controller project, which involved the Administration, Finance & Control function directly, and new hires to the Audit and Group Risk Management functions.

Within the scope of the Energy Without Frontiers project, which calls for the hiring of 100 young university graduates from abroad by the end of 2011, a further 7 people were hired, mainly for the staff and nuclear areas of the Engineering and Innovation Division, bringing the total number of new hires under this project to 81.

Efforts also continued to strengthen the Enel brand and promoting the company's image as a top employer on key university campuses. This was done through job meetings, special recruiting days designed to present specific business projects, and "alternative" educational initiatives, particularly within engineering and other technical fields. Some of the events that contributed most to promoting the company's brand internationally included our involvement in the 5th *Foro de Empleo* in Madrid, as well as in the Energy 21st and the 2nd edition of Atomicareer events held in Brussels, focusing on energy and nuclear sector respectively.

Finally, around 150 internships began during the year, most of which for young university graduates and focused mainly in central corporate areas and in the Infrastructure and Networks and Sales Divisions. In addition, 426 trainee contracts for young secondary-school graduates in technical fields were signed for the technical areas of the Infrastructure and Networks Division.

In 2010, additional impetus was given to the internal international mobility program. This led to the publication of the Group's first job posting for a management position in line with the new management model and of more that 40 other positions to be filled. The Twin Exchange

Program for the technical areas of Enel and Endesa also began, and this will, in this early stage, involve the mobility of an additional 6 people. Started at the end of 2009 in the International Division, the international mobility program expanded considerably in 2010, with more than 60

French, Romanian, Russian and Slovak employees moving to operational units in Italy, supporting integration and offering the participants a major career development opportunity.

## Workplace health and safety

In 2010, work continued on implementing the Integrated Nine Point Safety Improvement Plan throughout the Group. Launched in 2008, the project represents Enel's strategy for reaching its goal of zero accidents. Efforts in 2010 focused on conduct, on improving the processes of provisioning and contractor management, and on the process of ensuring uniform practices among the various countries in which the Group operates.

Following the lines of action pursued in previous years, we implemented safety training for new hires, differentiated by operating Division (10 editions) and staff function (11 editions). In addition, 50 editions of the "leadership for safety" course were held, as well as a management training course aimed at promoting responsibility awareness in the role of "safety leader", which involved some 600 managers. Safe-driving courses were organized for the personnel of the Infrastructure and Networks, Generation and Energy Management, Sales, and Renewable Energy Divisions.

In 2010, work continued throughout the Group to implement projects, such as Safety 24/7 and Behavior-Based Safety (BBS), focused on conduct and aimed at promoting safety even in low-risk activities, and work began on the project "Work Smart Think Safe", which seeks to promote direct involvement of employees in proposing ideas to improve safety in the workplace.

Many initiatives focused on safety resources in an effort to create "professional safety family", which included the definition of specific training and development programs: assessment of safety personnel and development of the Safety Academy; revision of the professional safety system; and projects for safety managers (*Visione Unica della Safety* and the Learning Tour). Finally, the *Safety per Neoassunti* training program for the various areas of operations was launched. This program seeks to increase knowledge and skills concerning workplace safety issues, with the insertion of the operational Divisions' graduate new hires in safety units for a number of months so as to make safety a

prominent feature of their careers.

Throughout all of the Group's Divisions and companies, work continued on implementation of the process of monitoring and managing near misses and other leading key performance indicators (KPIs). Within the scope of the Global Reporting project, which is aimed at creating a centralized, automated safety reporting system, efforts focused on implementing a system based on the SAP platform that interfaces with the company's existing information systems.

With regard to improvements to the RFP process, work continued on implementation of the new company-qualification process, which adds specific, more stringent safety requirements. For the selection of suppliers, guidelines have been implemented that call for the use of qualified units where possible and the definition of rotation criteria based on safety indicators. Specific safety clauses have also been added to contracts. These clauses establish penalties in the event of serious repeated violations, as also backed by applicable health and safety regulations, and even contract termination in the most serious cases. Work has also been done to enhance controls of businesses and work supervision by defining specific division and company improvement plans. In addition, specific safety training programs have been organized for personnel who manage contracts and are responsible for monitoring businesses. There were a great many campaigns and other initiatives organized during the year to increase contractor awareness of issues regarding safety in the workplace. On November 19 in particular, the first Contractors Safety Day was organized throughout the Group, an event which included many local initiatives led by the Group's various Divisions and companies.

The Nine Points project was one of the main topics of discussion at the first meeting of the Safety Steering Committee, composed of the senior managers who report

directly to the CEO, held on May 26, 2010. Introduced at the end of last year, the Safety Steering Committee is responsible for approving the Group's decisions and policies on safety matters, encouraging strategic initiatives designed to spread and foster the growth of the safety culture within the Group, and periodically reviewing whether the processes for handling health and safety at the Group level are effective.

The process of integrating with other countries continued into 2010 with the goal of creating synergies and implementing programs of excellence in operations. In that regard, the Visual Safety project was extended to the Generation and Energy Management, Renewable Energy and Engineering and Innovation Divisions in an effort to create a cycle of ongoing improvement based on the sharing of best practices.



From November 8-14, 2010, International Safety Week was held for the third year in a row. This Group-wide project has the goal of focusing the attention of all employees on safety issues for one full week. This was done through a great many training and communication initiatives to increase safety awareness not only among the workers, but also among contractors and the community, so as to promote a unified vision and a single approach to safety in all the countries in which Enel operates. The 2010 edition of International Safety Week involved 73,600 employees in 19 countries, with 1,276 events, 23% more than the previous year. The many initiatives focused on the following topics: contractors; near misses; emergency management; and individual and collective responsibility.

Regarding Endesa, in July 2010 the first meeting of the Continuous Safety Improvement Committee was held. This joint Enel-Endesa committee, described in the Coordination Handbook, is responsible for stimulating ongoing improvement in safety standards by spreading best practices and sharing experiences. During the year, the first two meetings of the Examination Committee were also held to analyze workplace accidents and deaths that have occurred within Endesa. As concerns efforts related specifically to occupational health and safety, work continued towards obtaining BS OHSAS 18001 certification for the worker health and safety management systems of the various Divisions and companies of the Group. With regard to the adoption of the compliance model

required by Legislative Decree 231/01, in response to the issue of Legislative Decree 106/09 in August 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 in May.



A great deal of safety training was provided for members of the company's prevention system. This included the organization of 30 editions at 12 locations of the annual refresher course for worker safety representatives (RLSs), and train-

ing and refresher courses were provided for Coordinators of Safety during the Design and Execution phase (CSP/CSE). With regard to workplace accidents <sup>(1)</sup>, the frequency rate fell by 57% between 2006 and 2010, reaching 2.77, while the severity rate fell by 50% over the same period, reaching 0.13. This downward trend was also confirmed by the operational accident frequency rate introduced last year, which focuses on certain types of especially serious accidents, mostly related to the company's core business (electrocutions, falling from heights, blows-crushing-cuts, exposure to hazardous agents, and explosions). This frequency rate for 2010 was down 57% from 2007.

Enel's excellent performance in 2009 in the area of occupational health and safety was also very well received by financial analysts, as reflected in the Dow Jones Sustainability Index. This year, Enel received a very high score, placing just a few points short of best-in-class and well above the average for the global electricity utilities industry.

In 2010, there were 3 fatal accidents involving employees of the Enel Group: one by electrocution in Russia at the KGRES plant and two in traffic accidents, one of which in Vercelli (Italy) involving an employee of the Infrastructure and Networks Division and one in Romania. With regard to the employees of contractors hired to carry out work on Enel's behalf, there were 19 fatal accidents during 2010, 15 of which occurred outside Italy. The serious and fatal accidents involving Enel employees or the employees of contractors are undergoing specific investigations, with a view to identifying the causes and developing corrective actions to prevent the occurrence of similar events. Following the inquiries, any necessary disciplinary measures are taken, ranging from formal warnings to termination in the case of Enel employees and from fines to termination of contracts in the case of contractors. In 2010, 8 disciplinary actions were taken against Enel personnel and about 50 actions against contractors.

(1) The figures refer to a total of 77,704 employees. The population does not include employees in companies accounted for using the equity method, Albania and the branches.

# Labor relations

The most important development in 2010 was the agreement signed on March 5, concerning the renewal of the National Collective Bargaining Agreement, which expired in June 2009, touching on both compensation and rules governing employment conditions.

In terms of compensation, the agreement calls for an average wage increase of €157, to be reparameterized on the basis of the contractual wage scale. The increase will be introduced in four installments, the first of which to be paid starting from March 1, 2010 (with subsequent installments on January 1, 2011, January 1, 2012, and July 1, 2012). A payment of €360 will be made to cover the period between July 1, 2009 and February 28, 2010, reparameterized as appropriate, as well as a €4 contribution to be paid by the companies to the supplementary pension fund (FOPEN) for enrolled employees.

With respect to the rules governing employment conditions, a particularly important development was the reaching of an understanding on the rules governing workers' right to strike, with the signing of a document that ratifies the guidelines that will serve as the basis for the detailed agreement that will replace the one dating back to 1991, from which the unions withdrew in June of last year. An important aspect is the agreement to adopt procedures for guaranteeing service continuity and safety for all users during electricity industry strikes.

Other important aspects involve the issue of "classification", which forms the foundation for crafting a new system to replace the current one, which has not been changed in more than 20 years. The issue is highly complex and will require an effort that is expected to last until the middle of 2011.

There have also been changes regarding safety, with the

complete rewriting of the provisions to bring them more in line with the goal of achieving zero accidents. Innovations were also made in relation to bilateral action, specifically in the area of training. In addition, more flexibility was introduced concerning availability and transfers.

In accordance with the framework agreement on the presentation of Enel's training programs to Fondimpresa dated December 23, 2009, the Bilateral Enel Training Committee was formed. This committee is responsible for forming policy, providing support for and evaluating the Group's training activities, in addition to developing and distributing training programs to be submitted to Fondimpresa for approval for funding (Fondimpresa, founded by Law 388/92, is Italy's largest joint interprofessional fund for the management of permanent training for blue collar workers, office workers and middle management). Another development worth reporting is the approval of the first training plans as documented on July 20, 2010. In May, with regard to transnational Information and Consultation, the joint training seminar regarding Enel's European Works Council and exercising the right to information and consultation was held. This seminar was designed for the members of the Enel European Works Council and was the first such training initiative carried out in accordance with Article 9 of the council's founding agreement of December 5, 2008. The goal of the seminar, which was the result of an agreement between Enel and the Select Committee from the first year of the council's operation (established in June 2009), was to improve the functioning of this body by studying and discussing the practices adopted by other European works councils, as well as in light of the recent recasting of the related EU directive (2009/38/EC).

# Compensation and incentive systems

The compensation policy for 2010 remained consistent with the rationale and philosophy adopted in previous years.

As is done every year, external benchmarks were chosen and the necessary steps were taken to ensure that compensation levels remained competitive. Selective changes were made to fixed remuneration, thereby confirming a merit-based policy aimed at rewarding valued skills within each professional family. With regard to short-term incen-

tives, management by objectives (MBO) was confirmed as the leading tool, involving about 97% of senior management and 17% of middle management.

It should also be noted that in 2010, following an extensive process of benchmarking the Group against other leading companies, the commercial incentive system was revised by making the process of assigning the targets and linking commercial planning activities more timely.



# 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 2010 are included. Those persons who are not listed therefore did not own any such shares during 2010.



Name	Company in which shares are held	Number of shares held at year-end 2009	Number of shares purchased in 2010	Number of shares sold in 2010	Number of shares held at year-end 2010	Title
Ballio Giulio	Enel SpA	70,000 <sup>(1)</sup>	-	-	70,000 <sup>(1)</sup>	Owned
	Enel Green Power SpA	-	20,000 <sup>(1) (5)</sup>	-	20,000 <sup>(1) (5)</sup>	Owned
Conte Carlo	Enel SpA	42,100	5,000 <sup>(1)</sup>	3,000 <sup>(8)</sup>	44,100 <sup>(9)</sup>	Owned
	Enel Green Power SpA	-	2,000 <sup>(1)</sup>	-	2,000 <sup>(1)</sup>	Owned
Conti Fulvio	Enel SpA	529,632 <sup>(2)</sup>	-	-	529,632 <sup>(2)</sup>	Owned
	Endesa SA	200	-	-	200	Owned
	Enel Green Power SpA	-	124,000 <sup>(5) (6)</sup>	-	124,000 <sup>(5) (6)</sup>	Owned
Fantozzi Augusto	Enel SpA	75,200	-	-	75,200	Owned
	Enel Green Power SpA	-	42,000 <sup>(5)</sup>	-	42,000 <sup>(5)</sup>	Owned
Giordano Giancarlo <sup>(10)</sup>	Enel SpA	524	-	-	524	Owned
Gnudi Piero	Enel SpA	388,096 <sup>(3)</sup>	-	-	388,096 <sup>(3)</sup>	Owned
	Enel Green Power SpA	-	100,000 <sup>(5)</sup>	-	100,000 <sup>(5)</sup>	Owned
Luciano Alessandro	Enel SpA	9,080	-	-	9,080	Owned
Mariconda Gennaro	Enel SpA	456,472 <sup>(4)</sup>	-	-	456,472 <sup>(4)</sup>	Owned
Napolitano Fernando	Enel SpA	63,840	12,700	-	76,540	Owned
	Enel Green Power SpA	-	34,000 <sup>(7) (5)</sup>	-	34,000 <sup>(7) (5)</sup>	Owned
Salsone Antonia Francesca <sup>(11)</sup>	Enel SpA	3,040	-	-	3,040	Owned
Tutino Franco <sup>(11)</sup>	Enel SpA	262 <sup>(1)</sup>	-	-	262 <sup>(1)</sup>	Owned
Managers with strategic responsibilities <sup>(*)</sup>	Enel SpA	433,484	14,572	-	448,056	Owned
	Endesa SA	300	100	-	400	Owned
	Enel Green Power SpA	-	184,000 <sup>(5)</sup>	-	184,000 <sup>(5)</sup>	Owned

(\*) In 2010, 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) Of which 521,025 held personally and 8,607 by spouse.

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

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

(5) Acquired in Enel Green Power IPO.

(6) Of which 100,000 held personally and 24,000 by spouse.

(7) Of which 24,000 held personally and 10,000 by spouse.

(8) Sale carried out through individual portfolio management account in the absence of instructions from the manager involved.

(9) Of which 39,100 held personally and 5,000 by spouse.

(10) In office until April 29, 2010.

(11) In office from April 29, 2010.

# 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, which in 2010 continued their activities in the development and demonstration of innovative technologies in fossil fuel generation, generation with renewables, energy efficiency, smart grids and electric mobility.

More specifically, in the field of generation from traditional fuels (such as coal or natural gas), which in the coming decades will continue to play a key role in meeting rising global demand for electricity, Enel continued work on the development of emissions capture technologies (CO<sub>2</sub>) with the aim of making existing generation technologies ever more compatible with environmental needs.

In renewables generation, a key component of sustainable development strategies for the energy sector, research is focusing on improving existing technologies and developing new generation concepts, with a view to reducing the imbalance between efficiency (still too low) and costs (too high) in order to enable the large-scale exploitation of all forms of generation from renewables.

The “Electric Mobility” program involves the development of an integrated mobility model that will give a strong boost to the widespread use of electric vehicles by both individuals and the business community and will lead to more efficient energy use, thereby making a real contribution to reducing emissions.



# 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 fi-

nancial 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 im-



plement 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 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 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 derivative,

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 the Endesa Group, where that function is performed by Endesa SA and its subsidiaries International Endesa BV and Endesa Capital SA) 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.

Underscoring the Enel Group's continued capacity to access the credit market despite the recent financial crisis, bond issues for Italian and European retail investors totaling €3 billion (with demand exceeding €14 billion) were carried out successfully in 2010. Enel SpA and its subsidi-

ary Enel Finance International SA also obtained a 5-year revolving credit facility for €10 billion to be used to manage working capital (it is not part of the Group's debt refinancing program).

## 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). In December 2010, Moody's placed Enel SpA's long-term ratings under a credit watch with a view to assessing a possible downgrade.

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.

Bond issues for Italian and European retail investors totaling €3 billion carried out in 2010

# Outlook

The performance achieved by Enel in 2010, together with the strengthening of the financial structure of the Company and the Group, which was boosted by the public offering of a minority stake in Enel Green Power, confirmed the effectiveness of the strategies adopted by the Group, in which Enel SpA acts as an industrial holding company. Enel will continue, through its operating companies, to pursue financial stability for the Group and leadership in its markets, also continuing its operational excellence programs and integration of international operations, especially Endesa, reaping the synergies generated by these efforts.

At the same time, Enel, acting through its subsidiaries, will continue implementing its programs for the development of renewable resources, a key component of the sustainable development of the energy sector, as well as its efforts in research and technological innovation, with a focus on environmentally compatible thermoelectric technologies, smart grids and electric mobility.

Enel also intends to consolidate its leadership role in the field of corporate social responsibility, a sector in which it has already received major recognition at the global level. Enel will also maintain its focus on nuclear power in Italy, in line with developments in the regulatory framework.



# Other information

## Non-EU subsidiaries

At the date of approval by the Board of Directors of the financial statements of Enel SpA for 2010 – March 14, 2011 – the Enel Group meets the “conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries”

> 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 ap-



(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:

ply on the basis of the consolidated accounts of the Enel Group at December 31, 2009.

They are: 1) Ampla Energia e Serviços SA (a Brazilian company belonging to the Endesa Group); 2) Chilectra SA (a Chilean company belonging to the Endesa



- Group); 3) Compañía Distribuidora y Comercializadora de Energía SA (a Colombian company belonging to the Endesa Group); 4) Companhia Energetica do Ceará 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) OGC-5 OJSC (a Russian subsidiary of Enel Investment Holding BV);
- > the balance sheet and income statement for the 2010 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) at least 15 days prior to the day scheduled for the Ordinary Shareholders' Meeting called to approve the 2010 financial statements together with the summary statements showing the essential data of the latest annual financial statements of subsidiaries and associated companies (pursuant to the applicable provisions of Article 77, paragraph 2-bis, of the CONSOB Issuers Rules approved with Resolution no. 11971 of May 14, 1999, as amended);
  - > 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 1ci) 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 1cii) 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

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 Electricity 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.

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties undertaken by Enel SpA either directly or indirectly through its subsidiaries. The procedure (which can be found at [http://www.enel.com/it-IT/group/governance/principles/related\\_parts/](http://www.enel.com/it-IT/group/governance/principles/related_parts/)) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-bis of the Italian Civil Code and

the implementing rules established by CONSOB. It replaces, with effect from January 1, 2011, the rules governing transactions with related parties approved by the Board of Directors of Enel SpA on December 19, 2006 in implementation of the recommendations of the Corporate Governance Code for listed companies, the provisions of which were in effect until December 31, 2010.

Please consult note 33 to the financial statements for more detailed 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 2010.

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 propriety 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 as amended). The document is updated as required by the law.

## Subsequent events

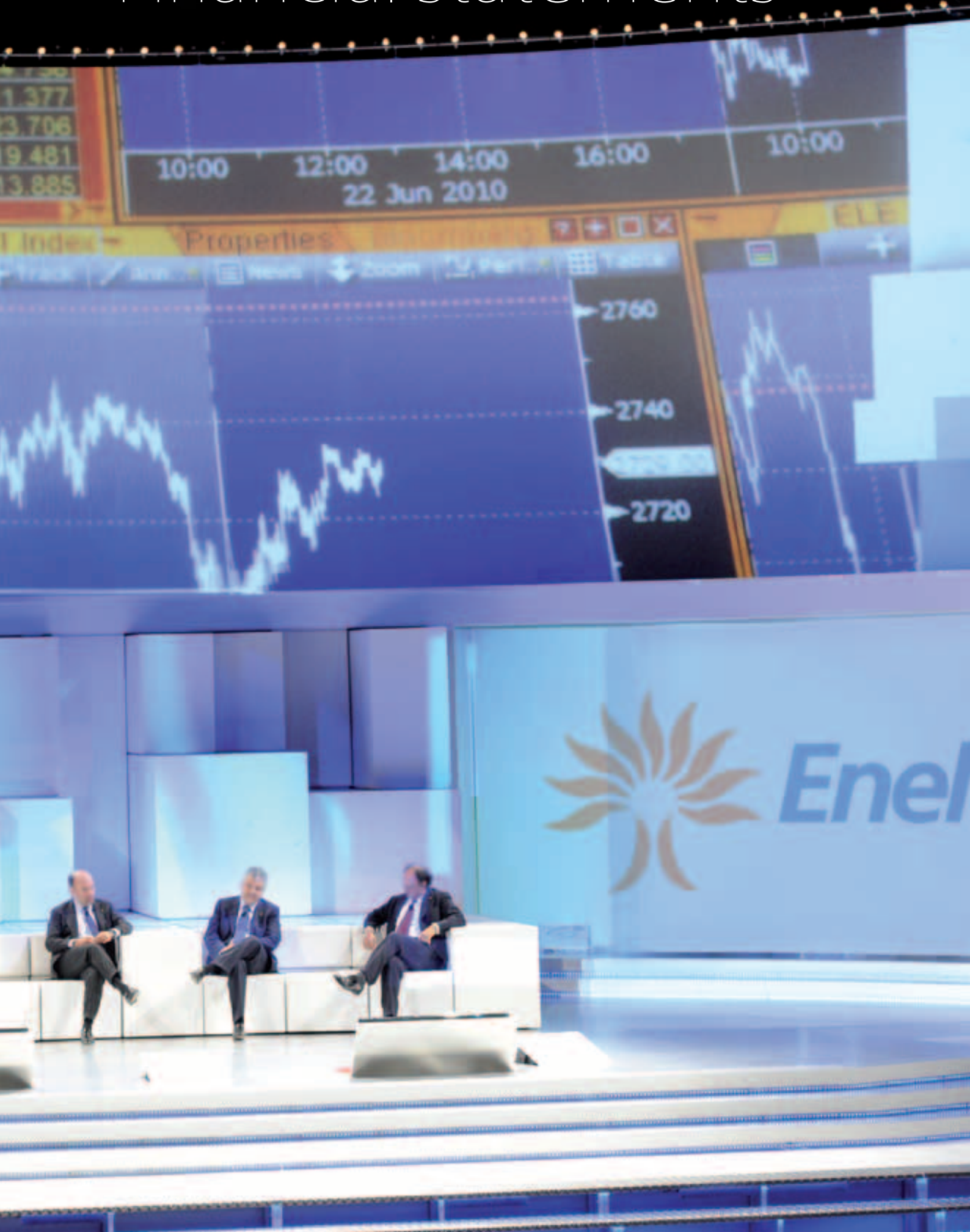
Significant events following the close of the year are discussed in note 37 to the financial statements.







# Financial statements



# Income Statement

Euro	Notes	2010		2009	
			<i>of which with related parties</i>		<i>of which with related parties</i>
<b>Revenues</b>					
Revenues from sales and services	5.a	669,463,162	668,326,497	692,997,840	692,231,511
Other revenues	5.b	6,796,654	5,400,192	13,312,212	11,303,302
	(Subtotal)	676,259,816		706,310,052	
Net proceeds from the sale of equity investments	6	731,388,243	(2,237,027)	-	
<b>Costs</b>					
Electricity purchases and consumables	7.a	341,795,379	24,885,778	316,661,917	21,233,744
Services, leases and rentals	7.b	267,283,345	98,630,187	308,204,095	76,195,600
Personnel	7.c	98,838,288	67,715	97,251,285	73,008
Depreciation, amortization and impairment losses	7.d	22,324,338		8,667,684	
Other operating expenses	7.e	40,627,913	(15,890,299)	11,488,772	1,590,886
	(Subtotal)	770,869,263		742,273,753	
Operating income		636,778,796		(35,963,701)	
Income from equity investments	8	3,368,826,383	3,368,826,383	4,481,781,473	4,481,781,473
Financial income	9	2,086,740,090	674,360,564	2,510,843,762	2,007,922,237
Financial expense	9	3,219,183,538	1,260,411,085	3,792,828,382	823,777,519
	(Subtotal)	2,236,382,935		3,199,796,853	
Income before taxes		2,873,161,731		3,163,833,152	
Income taxes	10	(243,354,319)		(296,624,221)	
<b>NET INCOME FOR THE YEAR</b>		<b>3,116,516,050</b>		<b>3,460,457,373</b>	

# Statement of Comprehensive Income for the year

Euro		Notes	
		2010	2009
Net income for the year		3,116,516,050	3,460,457,373
Other components of comprehensive income:			
Effective portion of change in the fair value of cash flow hedges		6,513,762	(49,942,368)
Change in the fair value of financial investments available for sale		18,175,726	65,851,565
Income/(Loss) recognized directly in equity	23	24,689,488	15,909,197
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,141,205,538</b>	<b>3,476,366,570</b>

# Balance Sheet

Euro

Notes

<b>ASSETS</b>		<b>at Dec. 31, 2010</b>		<b>at Dec. 31, 2009</b>	
			<i>of which with related parties</i>		<i>of which with related parties</i>
<b>Non-current assets</b>					
Property, plant and equipment	11	4,659,792		6,373,265	
Intangible assets	12	15,484,907		14,385,253	
Deferred tax assets	13	327,752,797		321,344,266	
Equity investments	14	38,830,952,712		35,957,163,774	
Non-current financial assets	15	1,448,182,734	630,379,356	1,319,514,076	954,111,664
Other non-current assets	16	264,140,285	222,059,330	275,979,075	234,096,287
	(Total)	40,891,173,227		37,894,759,709	
<b>Current assets</b>					
Trade receivables	17	542,025,030	532,757,670	516,472,757	506,395,982
Income tax receivables	18	271,880,718		309,126,009	
Current financial assets	19	9,692,900,153	8,900,184,063	20,608,863,045	19,626,248,696
Cash and cash equivalents	20	2,116,993,346		995,153,009	
Other current assets	21	256,565,833	205,251,722	554,460,255	397,679,543
	(Total)	12,880,365,080		22,984,075,075	
Non-current assets classified as held for sale	22	1,000		8,970,798	
<b>TOTAL ASSETS</b>		<b>53,771,539,307</b>		<b>60,887,805,582</b>	



<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>at Dec. 31, 2010</b>		<b>at Dec. 31, 2009</b>	
			<i>of which with related parties</i>		<i>of which with related parties</i>
<b>Shareholders' equity</b>					
Share capital		9,403,357,795		9,403,357,795	
Other reserves		9,541,842,828		9,086,247,878	
Retained earnings (losses carried forward)		3,394,197,084		2,712,013,717	
Net income for the year <sup>(1)</sup>		2,176,180,271		2,520,121,594	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>23</b>	<b>24,515,577,978</b>		<b>23,721,740,984</b>	
<b>Non-current liabilities</b>					
Long-term loans	24	22,325,842,803	2,797,225,935	30,011,968,838	10,806,416,935
Post-employment and other employee benefits	25	363,105,054		376,394,648	
Provisions for risks and charges	26	33,124,275		29,650,405	
Deferred tax liabilities	13	125,693,569		107,537,789	
Non-current financial liabilities	27	1,998,973,334	392,228,378	1,951,653,319	43,940,655
Other non-current liabilities	28	40,490,865	40,490,865	41,470,416	40,289,418
	<i>(Subtotal)</i>	<b>24,887,229,900</b>		<b>32,518,675,415</b>	
<b>Current liabilities</b>					
Short-term loans	29	1,842,086,502	1,496,062,284	2,409,725,493	1,619,412,850
Current portion of long-term loans	24	805,531,348		779,518,596	224,931,105
Trade payables	30	349,998,732	96,693,274	320,755,154	62,272,552
Current financial liabilities	31	788,682,175	117,295,679	524,390,129	76,299,047
Other current liabilities	32	582,432,672	331,862,620	612,999,811	260,591,088
	<i>(Subtotal)</i>	<b>4,368,731,429</b>		<b>4,647,389,183</b>	
<b>TOTAL LIABILITIES</b>		<b>29,255,961,329</b>		<b>37,166,064,598</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>53,771,539,307</b>		<b>60,887,805,582</b>	

(1) Net income is reported net of interim dividend equal to €940.3 million (€940.3 million at December 31, 2009).

# Statement of Changes in Equity

## Share capital and reserves (Note 23)

Euro	Share capital	Share premium reserve	Legal reserve
<b>January 1, 2009</b>	<b>6,186,419,603</b>	<b>661,565,553</b>	<b>1,452,085,638</b>
Adjustment for adoption of IFRIC 11 (share-based payments)	-	-	-
<b>January 1, 2009 restated</b>	<b>6,186,419,603</b>	<b>661,565,553</b>	<b>1,452,085,638</b>
Reclassification of retained earnings for share-based incentive plans	-	-	-
Exercise of stock options	-	-	-
Stock option changes for the period	-	-	-
<b>Allocation of 2008 net income:</b>			
- Dividends	-	-	-
- Retained earnings/(Losses carried forward)	-	-	-
Other changes	-	-	-
Capital increase	3,216,938,192	4,630,511,105	-
2009 interim dividend <sup>(1)</sup>	-	-	-
<b>Comprehensive income for the year:</b>			
Income/(Loss) recognized directly in equity	-	-	-
Net income for the year	-	-	-
<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>January 1, 2010</b>	<b>9,403,357,795</b>	<b>5,292,076,658</b>	<b>1,452,085,638</b>
Other changes	-	-	-
Exercise of stock options	-	-	-
Stock option changes for the period	-	-	-
<b>Allocation of 2009 net income:</b>			
- Dividends	-	-	-
- Legal reserve	-	-	428,585,921
- Retained earnings/(Losses carried forward)	-	-	-
2010 interim dividend <sup>(2)</sup>	-	-	-
<b>Comprehensive income for the year:</b>			
Income/(Loss) recognized directly in equity	-	-	-
Net income for the year	-	-	-
<b>Total at December 31, 2010</b>	<b>9,403,357,795</b>	<b>5,292,076,658</b>	<b>1,880,671,559</b>

(1) 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.

(2) Approved by the Board of Directors on September 29, 2010, with ex dividend date of November 22, 2010 and payment as from November 25, 2010.

Reserve pursuant to Law 292/1993	Other reserves	Reserve from measurement of financial instruments	Retained earnings/ (Losses carried forward)	Net income for the year	Total shareholders' equity
2,215,444,500	61,135,891	44,965,456	2,996,341,697	1,503,402,356	15,121,360,694
-	-	-	3,186,192	3,145,157	6,331,349
2,215,444,500	61,135,891	44,965,456	2,999,527,889	1,506,547,513	15,127,692,043
-	-	-	3,145,157	(3,145,157)	-
-	-	-	-	-	-
-	4,628,019	-	-	-	4,628,019
-	-	-	(309,320,981)	(1,484,740,704)	(1,794,061,685)
-	-	-	18,661,652	(18,661,652)	-
-	2,519	-	-	-	2,519
-	-	-	-	-	7,847,449,297
-	-	-	-	(940,335,779)	(940,335,779)
-	-	15,909,197	-	-	15,909,197
-	-	-	-	3,460,457,373	3,460,457,373
2,215,444,500	65,766,429	60,874,653	2,712,013,717	2,520,121,594	23,721,740,984
2,215,444,500	65,766,429	60,874,653	2,712,013,717	2,520,121,594	23,721,740,984
-	3,649	-	1,151,364	-	1,155,013
-	-	-	-	-	-
-	2,315,892	-	-	-	2,315,892
-	-	-	-	(1,410,503,669)	(1,410,503,669)
-	-	-	-	(428,585,921)	-
-	-	-	681,032,003	(681,032,003)	-
-	-	-	-	(940,335,780)	(940,335,780)
-	-	24,689,488	-	-	24,689,488
-	-	-	-	3,116,516,050	3,116,516,050
2,215,444,500	68,085,970	85,564,141	3,394,197,084	2,176,180,271	24,515,577,978

# Statement of Cash Flows

Euro

Notes

		2010		2009	
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Income for the year		3,116,516,050		3,460,457,373	
<b>Adjustments for:</b>					
Depreciation and amortization of property, plant and equipment and intangible assets	7.d	7,436,823		8,667,684	
Exchange rate gains and losses		40,328,910		85,737,977	2,049
Accruals to provisions		32,385,253		11,574,826	
Dividends from subsidiaries, associates and other companies	8	(3,368,826,383)	(3,368,826,383)	(4,481,781,473)	(4,481,781,473)
Financial (income)/expense		1,076,803,498	586,050,521	1,179,621,657	(1,184,146,768)
Income taxes	10	(243,354,319)		(296,624,220)	
(Gains)/Losses and other non-monetary items		(824,965,643)		2,435,144	
<b>Cash flow from operating activities before changes in net current assets</b>		<b>(163,675,811)</b>		<b>(29,911,032)</b>	
Increase/(Decrease) in provisions		(42,200,977)		(47,264,083)	
(Increase)/Decrease in trade receivables	17	(25,552,273)	(26,361,688)	(32,066,140)	(28,396,613)
(Increase)/Decrease in financial and non-financial assets/liabilities		2,099,214,663	428,858,018	2,290,272,721	2,764,412,995
Increase/(Decrease) in trade payables	30	29,243,578	34,420,722	(7,199,820)	1,802,192
Interest income and other financial income collected		1,216,174,557	760,081,043	924,026,285	343,625,371
Interest expense and other financial expense paid		(2,086,667,709)	(533,418,329)	(2,658,048,379)	(1,413,802,340)
Dividends from subsidiaries, associates and other companies	8	3,368,826,383	3,368,826,383	4,481,781,473	4,481,781,473
Income taxes paid (consolidated taxation mechanism)		(1,311,573,427)		(1,183,726,209)	
<b>Cash flows from operating activities (a)</b>		<b>3,083,788,984</b>		<b>3,737,864,816</b>	
Investments in property, plant and equipment and intangible assets	11-12	(7,009,271)	(4,309,970)	(8,510,233)	(7,297,654)
Disposals of property, plant and equipment and intangible assets	11-12	186,266		2,528,585	2,528,585
Equity investments	14	(16,527,000)	(16,527,000)	(3,050,000)	(3,050,000)
Disposals of equity investments	14	2,434,339,625		19,737,650	19,737,650
<b>Cash flows from investing/disinvesting activities (b)</b>		<b>2,410,989,620</b>		<b>10,706,002</b>	
Long-term debt (new borrowing)	24	2,927,352,590		5,114,265,390	
Long-term debt (repayments)	24	(10,619,951,166)	(8,234,325,695)	(13,816,421,643)	
Net change in long-term financial payables/(receivables)		19,237,477	242,177,772	(438,928,327)	(190,774,851)
Net change in short-term financial payables/(receivables)		5,651,262,281	5,614,305,193	516,758,591	1,328,827,864
Dividends and interim dividends paid	23	(2,350,839,449)		(2,734,397,464)	
Increase in share capital and reserves	23	-		7,991,127,065	
<b>Cash flows from financing activities (c)</b>		<b>(4,372,938,267)</b>		<b>(3,367,596,388)</b>	
<b>Increase/(Decrease) in cash and cash equivalents (a+b+c)</b>		<b>1,121,840,337</b>		<b>380,974,430</b>	
Cash and cash equivalents at beginning of the year	20	995,153,009		614,178,579	
<b>Cash and cash equivalents at the end of the year</b>	20	<b>2,116,993,346</b>		<b>995,153,009</b>	

# Notes to the financial statements

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## 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, 2010, presented in a separate publication. On March 14, 2011 the Board of Directors authorized the publication of these financial statements at December 31, 2010. These financial statements are subjected to audit by KPMG SpA.

#### Compliance with IFRS/IAS

The separate financial statements for the year ended December 31, 2010 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 for the year, the balance sheet, the statement of changes in 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.

The balance sheet, income statement and statement of cash flows report transactions with related parties. For a definition of related parties, please see the section "Accounting policies and measurement criteria".

## 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 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 a substantial 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

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.

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# 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.

### Related parties

Related parties are companies that have the same Parent Company with 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 of Enel SpA, and their close relatives, 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 company directors.

### 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 a qualifying asset.

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 entity 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
	Shorter of term of lease and residual useful life
Leasehold improvements	
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 unlimited 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 applications software owned by the Company with an estimated useful life of three to five years.

## Impairment losses

Property, plant and equipment and intangible assets 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 (FVTPL) 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 (HTM) comprises non-derivative financial instruments with fixed or determinable payments 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 (AFS) 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 recognized when the company becomes a party to the contractual clauses representing the instrument and are initially measured 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 period-end 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.

### Fair value hierarchy pursuant to IFRS 7

Assets and liabilities measured at fair value are classified in a three-level hierarchy as described below, in consideration of the inputs used to determine such fair value.

In particular:

- > Level 1 includes financial assets or liabilities measured at fair value on the basis of quoted prices in active markets for identical assets or liabilities (unadjusted);
- > Level 2 includes financial assets/liabilities measured at fair value on the basis of inputs other than those included in Level 1 that are observable either directly or indirectly on the market;
- > Level 3 includes financial assets/liabilities whose fair value was calculated using inputs not based on observable market data.

## 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 at the end of the previous year exceeding 10% of the greater of the present value of the defined benefit obligation at that date and the fair value of the plan assets at the same date 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 at grant date 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 Monte Carlo.

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 using the fair value of the equity instruments at the grant date (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;

- > in the income statement for subsequent changes in the fair value, 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 compa-

ny'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 also taken directly to equity.

## Recently issued accounting standards

### First-time adoption and applicable standards

- > *"Amendments to IAS 27 - Consolidated and separate financial statements"*. The new version of the standard establishes that disposals of equity interests in a subsidiary that do not result in a loss of control shall be recognized in equity in the consolidated financial statements. Similar treatment is required in the consolidated financial statements in the event of the acquisition of an additional stake in an existing subsidiary. Where a controlling interest is divested, any residual interest must be re-measured to fair value on that date, recognizing the effects through profit or loss. The application of the standard did not have an impact for Enel SpA;
- > *"Amendments to IAS 39 - Financial instruments: recognition and measurement: eligible hedged items"*. With this amendment to the current IAS 39 standard, the IASB has clarified 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 retrospective application of the amendments did not have an impact for Enel SpA.
- > *"Amendments to IFRS 2 - Share-based payment"*. The amendments seek to:
  - clarify the scope of application of the standard, incorporating the guidelines contained in IFRIC 8 *"Scope of IFRS 2"*;
  - provide guidelines for classifying share-based payments in the consolidated financial statements and separate financial statements of the companies involved;

- specify the accounting treatment of equity-settled share-based payments involving different Group companies, incorporating and expanding on the guidelines contained in IFRIC 11 *"IFRS 2 - Group and treasury share transactions"*;

- specify the accounting treatment of cash-settled share-based payments involving different Group companies, a situation not addressed by IFRIC 11.

The retrospective application of the amendments – which replaced IFRIC 8 and IFRIC 11 – did not have a significant impact for Enel SpA.

- > *"IFRIC 12 - Service concession arrangements"*. The interpretation, applied retrospectively as from January 1, 2009, requires that, depending on the characteristics of the concession arrangements, the infrastructure used to deliver the public 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 agency. The new interpretation applies to both infrastructure that the concession holder builds or acquires from a third party for the purposes of the service arrangement and existing infrastructure to which the concession holder is given access by the grantor for the purposes of the service arrangement. More specifically, IFRIC 12 applies to service concession arrangements between public grantors and private operators if:

- the grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price; and
- the grantor also controls, via ownership or other arrangement, any significant residual interest in the assets at the end of the term of the arrangement.

The application of the interpretation did not 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 retrospective application of the interpretation did not 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 connected with the hedging instrument 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 application of the interpretation did not have an 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 application of the interpretation on a prospective basis did not have an impact for Enel SpA.

- > *"IFRIC 18 - Transfers of assets from customers"*. The interpretation 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 or to ensure access to an ongoing supply of services. In particular, the interpretation establishes that, where all the conditions provided for under the international accounting standards for the initial recognition of an asset are met, such assets shall be recognized at fair value. As regards the recognition of the corresponding revenues, where the agreement only establishes an obligation to

connect the customer to the network, the related revenues shall be recognized at the time of connection; otherwise, where the agreement also provides for the supply of various services, the related revenues shall be recognized in relation to the supply of services, over the shorter of the duration of the service agreement and the useful life of the asset. The application of the interpretation did not have an impact for Enel SpA.

## Standards not yet adopted and not yet applicable

In 2010, the European Commission endorsed the following new accounting standards and interpretations, which were not yet applicable to the Company as at December 31, 2010:

- > *"Revised IAS 24 - Related party disclosures"*, issued in November 2009: the revised standard allows companies that are controlled by 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. Enel SpA does not expect the future application of the new provisions to have a significant impact.
- > *"Amendments to IFRIC 14 - Prepayments of a minimum funding requirement"*, issued in November 2009: the changes clarify the circumstances in which a company that prepays a minimum funding requirement for an employee benefit plan can recognize such payments as an asset. The amendments will apply for periods beginning on or after January 1, 2011. Enel SpA does not expect the future application of the new provisions to have a significant impact.
- > *"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 apply retrospectively. Enel SpA does not expect the application of the new provisions to have a significant impact.

- > *"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 new provisions are not expected to have a significant impact for Enel SpA.

In 2009 and 2010, 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, 2010, had not yet been endorsed by the European Commission. The standards are set out below:

- > *"IFRS 9 - Financial instruments"*, issued in November 2009 and revised in October 2010: 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 and liabilities, based on the business model of the entity and the cash flow characteristics of the financial assets. The new standard requires financial assets and liabilities to be measured initially at fair value plus any transaction costs directly attributable to their assumption or issue. Subsequently, they are measured at fair value or amortized cost, unless the fair value option is applied. As regards equity instruments not held for trading, an entity can make an irrevocable election to measure them at fair value through other comprehensive income. Any dividend income shall be recognized through profit or loss. The new standard will take effect, subject to endorsement, for periods beginning on or after January 1, 2013. Enel SpA is assessing the potential impact of the future application of the measures.
- > *"Amendments to IFRS 7 - Financial instruments: Disclosures"*, issued in October 2010; the amendments require additional disclosures to assist users of financial statements to assess the exposure to risk in the transfer of financial assets and the impact of such risks on the

company's financial position. The new standard introduces new disclosure requirements, to be reported in a single note, concerning transferred financial assets that have not been derecognized and transferred assets in which the company has a continuing involvement as of the balance sheet date. The amendments to IFRS 7 will apply prospectively, subject to endorsement, for periods beginning on or after January 1, 2012. Enel SpA is assessing the potential impact of the future application of the measures.

- > *"Improvements to IFRS"*, issued in May 2010: the changes regard improvements to existing standards. The main developments regard:
  - *"IFRS 3 - Business combinations"*, as revised in 2008: specifies that non-controlling interests in an acquiree are present ownership interests that entitle their holders, in the event of the liquidation of the company, to a proportionate share of the entity's net assets. These must be measured at fair value or as a proportionate share of the acquiree's net identifiable assets. All other components classifiable as non-controlling interests but which do not have the above characteristics (for example, share options, preference shares, etc.), shall be measured at fair value at the acquisition date unless another measurement basis is required by another IFRS. These amendments will apply, subject to endorsement, for periods beginning on or after July 1, 2010;
  - *"IFRS 7 - Financial instruments: Disclosures"*: clarifies the disclosures required in the case of renegotiated financial instruments as well as disclosure requirements for credit risk. These amendments will apply, subject to endorsement, for periods beginning on or after January 1, 2011;
  - *"IAS 1 - Presentation of financial statements"*: specifies that the reconciliation of the carrying amount at the start and end of the period for each component of "other comprehensive income" shall be presented either in the statement of changes in equity or in the notes to the financial statements. In this regard, with the introduction of *"Revised IAS 27 - Consolidated and separate financial statements"*, the standard had been modified, calling for the reconciliation to be presented in the statement of changes in equity. The amendments introduced in May 2010 shall apply, subject to endorsement, for periods beginning on or after January 1, 2011;
  - *"IAS 34 - Interim financial reporting"*: the standard



has been amended to add disclosure requirements for interim financial reports concerning, in particular, financial assets and liabilities. For example, it now requires information on changes in the business or in economic conditions that have had an impact on the fair value of financial assets/liabilities measured at fair value or using the amortized cost method. The amendments shall apply, subject to endorsement, for periods beginning on or after January 1, 2011.

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# 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 some treasury management functions and access to financial markets with regard to derivatives contracts that do not have energy commodities as underlyings. As part of this activity, the Company acts as an intermediary for Group companies with the market, taking positions that, while they can be substantial, do not however 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 re-

quirements 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 terms of volume, are conducted within a framework of governance rules that establish strict risk limits at the Group level. Compliance with the limits is verified daily by a unit that is independent of that undertaking the transactions.

The following section reports the scale of transactions in derivatives outstanding at December 31, 2010, specifying the fair value and notional amount 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, volatility), discounting expected future cash flows on the basis of the market yield curve at the balance sheet date and translating amounts in currencies other than the euro using year-end exchange rates provided by the European Central Bank.

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 amount 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, in 2010 Enel SpA entered into a variety of derivatives contracts, notably interest rate swaps, interest rate collars and swaptions, as detailed below:

Millions of euro	Notional amount	
	at Dec. 31, 2010	at Dec. 31, 2009
<b>Interest rate derivatives</b>		
Interest rate swaps	11,428.0	11,817.3
Interest rate collars	2,700.0	2,700.0
<b>Total</b>	<b>14,128.0</b>	<b>14,517.3</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.

Swaptions involve the purchase of the right to enter into an interest rate swap at a future date on specified contractual terms and conditions (the fixed rate of the underlying interest rate swap represents the strike price of the option).

These contracts are normally used before bond issues (pre-hedge transactions) where the company wants to fix its borrowing costs ahead of time. They expire or are exercised in conjunction with the actual bond issue. As with interest rate collars, zero-cost strategies can be implemented with swaptions, making it possible to fix the maximum and minimum interest rate ahead of time and to benefit from possible declines in interest rates. At December 31, 2010, all swaptions entered into during the year had expired.

The notional amount of open interest rate swaps at the end of the year was €11,428.0 million (€11,817.3 million at December 31, 2009), of which €5,136.6 million (€5,383.7 million at December 31, 2009) in respect of hedges of the Company's share of floating-rate debt, €3,095.7 million (€3,216.8 million at December 31, 2009) in respect of contracts intermediated with the market for a corresponding notional amount for Group companies and €100.0 million in respect of transactions not directly connected with underlying financial liabilities.

The notional amount of open interest rate collars at the end of the year was €2,700.0 million (€2,700.0 million in 2009), of which €2,000.0 million in respect of hedges on Enel SpA's debt and €700.0 million in respect of transactions originally entered into to hedge Enel SpA's debt but which resulted in overhedge following the early repayment of the underlying in 2010.

The following table reports the notional amount and fair value of interest rate derivatives at December 31, 2010 and December 31, 2009.

Millions of euro	Notional amount		Fair value		Notional assets		Fair value assets		Notional liabilities		Fair value liabilities	
	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009
Cash flow hedge derivatives:	4,590.0	5,415.0	(278.5)	(317.2)	150.0	150.0	3.3	3.3	4,440.0	5,265.0	(281.8)	(320.5)
Interest rate swaps	2,590.0	2,715.0	(215.3)	(200.8)	150.0	150.0	3.3	3.3	2,440.0	2,565.0	(218.6)	(204.1)
Interest rate collars	2,000.0	2,700.0	(63.2)	(116.4)	-	-	-	-	2,000.0	2,700.0	(63.2)	(116.4)
Trading derivatives:	9,538.0	9,102.3	(165.7)	(159.8)	3,095.7	3,216.8	170.9	150.9	6,442.3	5,885.5	(336.6)	(310.7)
Interest rate swaps	8,838.0	9,102.3	(146.1)	(159.8)	3,095.7	3,216.8	170.9	150.9	5,742.3	5,885.5	(317.0)	(310.7)
Interest rate collars	700.0	-	(19.6)	-	-	-	-	-	700.0	-	(19.6)	-
Total interest rate swaps	11,428.0	11,817.3	(361.4)	(360.6)	3,245.7	3,366.8	174.2	154.2	8,182.3	8,450.5	(535.6)	(514.8)
Total interest rate collars	2,700.0	2,700.0	(82.8)	(116.4)	-	-	-	-	2,700.0	2,700.0	(82.8)	(116.4)
<b>TOTAL INTEREST RATE DERIVATIVES</b>	<b>14,128.0</b>	<b>14,517.3</b>	<b>(444.2)</b>	<b>(477.0)</b>	<b>3,245.7</b>	<b>3,366.8</b>	<b>174.2</b>	<b>154.2</b>	<b>10,882.3</b>	<b>11,150.5</b>	<b>(618.4)</b>	<b>(631.2)</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, 2010	2011	2012	2013	2014	2015	Beyond
<b>CFH on interest rates</b>							
Derivatives with positive fair value pertaining to Enel SpA	3.3	0.2	0.2	0.2	0.2	0.2	3.4
Derivatives with negative fair value pertaining to Enel SpA	(281.8)	(126.4)	(77.5)	(48.3)	(29.3)	(9.9)	(36.9)
<b>Trading derivatives on interest rates</b>							
Derivatives with negative fair value pertaining to Enel SpA	(147.2)	(75.9)	(49.1)	(15.2)	(7.1)	(2.4)	(29.5)
Derivatives with positive fair value on behalf of Group companies	170.9	75.4	58.4	34.7	17.8	7.9	(5.0)
Derivatives with negative fair value on behalf of Group companies	(189.3)	(89.9)	(62.6)	(34.5)	(17.8)	(7.9)	5.0

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, 2010, 42% of net long-term debt was floating rate (62% at December 31, 2009). Taking account of cash flow hedges resulting effective pursuant to the IFRS-EU, 24% of the debt was exposed to interest rate risk (46% at December 31, 2009).

Including interest rate derivatives considered as hedges for management purposes but ineligible for hedge accounting, the residual exposure of net financial debt to interest rate risk is reduced to 13% (38% at December 31, 2009).

If interest rates had been 1 basis point higher at December 31, 2010, all other variables being equal, shareholders' equity

would have been €1.2 million higher (€1.9 million at December 31, 2009) 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 €1.2 million lower (€1.9 million at December 31, 2009) 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 unhedged portion of debt of about €0.3 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 unhedged debt of about €0.3 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 and in particular currency forwards and cross currency interest rate swaps. The term of such contracts does not exceed the maturity of the underlying exposure.

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.

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.

The following table reports the notional amount of transactions outstanding at December 31, 2010 and December 31, 2009, broken down by type of hedged item.

Millions of euro	Notional amount	
	at Dec. 31, 2010	at Dec. 31, 2009
<b>Exchange rate derivatives</b>		
Forwards:	10,473.1	7,489.7
- forwards hedging commodities	9,842.0	6,363.3
- forwards hedging future cash flows	401.4	916.7
- other forward contracts	229.7	209.7
Cross currency interest rate swaps	20,230.4	19,053.7
<b>Total</b>	<b>30,703.5</b>	<b>26,543.4</b>

More specifically, these include:

- > currency forward contracts with a notional amount of €9,842.0 million (€6,363.3 million at December 31, 2009) used to hedge the exchange rate risk associated with purchases of energy commodities by Group companies, with matching transactions with the market;
- > currency forward contracts with a notional amount of €631.1 million, of which €401.4 million used to hedge the exchange rate risk associated with other cash flows in currencies other than the euro (€916.7 million at December 31, 2009) on behalf of the Group companies, with matching market transactions, and €229.7 million for transactions not directly connected with the underlying exposure (€209.7 million at December 31, 2009);
- > cross currency interest rate swaps with a notional amount of €20,230.4 million (€19,053.7 million at December 31, 2009) to hedge the exchange rate risk on debt denominated in currencies other than the euro.

The following table reports the notional amount and fair value of exchange rate derivatives at December 31, 2010 and December 31, 2009.

Millions of euro	Notional amount		Fair value		Notional assets		Fair value assets		Notional liabilities		Fair value liabilities	
	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009
Cash flow hedge derivatives:	2,660.1	2,579.9	(495.7)	(521.1)	1,278.0	1,238.6	239.3	169.8	1,382.1	1,341.3	(735.0)	(690.9)
Cross currency interest rate swaps	2,660.1	2,579.9	(495.7)	(521.1)	1,278.0	1,238.6	239.3	169.8	1,382.1	1,341.3	(735.0)	(690.9)
Trading derivatives:	28,043.4	23,963.5	(1.3)	1.5	14,021.0	12,099.0	824.6	746.2	14,022.4	11,864.5	(825.9)	(744.7)
Forwards	10,473.1	7,489.7	(1.3)	1.5	5,235.8	3,862.1	157.2	110.7	5,237.3	3,627.6	(158.5)	(109.2)
Cross currency interest rate swaps	17,570.3	16,473.8	-	-	8,785.2	8,236.9	667.4	635.5	8,785.1	8,236.9	(667.4)	(635.5)
Total forwards	10,473.1	7,489.7	(1.3)	1.5	5,235.8	3,862.1	157.2	110.7	5,237.3	3,627.6	(158.5)	(109.2)
Total cross currency interest rate swaps	20,230.4	19,053.7	(495.7)	(521.1)	10,063.2	9,475.5	906.7	805.3	10,167.2	9,578.2	(1,402.4)	(1,326.4)
<b>TOTAL EXCHANGE RATE DERIVATIVES</b>	<b>30,703.5</b>	<b>26,543.4</b>	<b>(497.0)</b>	<b>(519.6)</b>	<b>15,299.0</b>	<b>13,337.6</b>	<b>1,063.9</b>	<b>916.0</b>	<b>15,404.5</b>	<b>13,205.8</b>	<b>(1,560.9)</b>	<b>(1,435.6)</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, 2010	2011	2012	2013	2014	2015	Beyond
<b>CFH on exchange rates</b>							
Derivatives with positive fair value pertaining to Enel SpA	239.3	51.3	50.8	34.6	25.6	20.0	171.9
Derivatives with negative fair value pertaining to Enel SpA	(735.0)	(64.9)	(64.4)	(48.1)	(39.1)	(33.5)	(721.7)
<b>Trading derivatives on exchange rates</b>							
Derivatives with positive fair value pertaining to Enel SpA	1.9	1.9	-	-	-	-	-
Derivatives with negative fair value pertaining to Enel SpA	(3.3)	(3.3)	-	-	-	-	-
Derivatives with positive fair value on behalf of Group companies	822.6	172.4	45.7	55.1	102.9	20.7	262.5
Derivatives with negative fair value on behalf of Group companies	(822.6)	(172.4)	(45.7)	(55.1)	(102.9)	(20.7)	(262.5)

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

Millions	US dollars	Pounds sterling	Swiss francs	US dollars	Pounds sterling	Swiss francs	Japanese yen	Other currencies
	at Dec. 31, 2010			at Dec. 31, 2009				
Trade receivables in foreign currency	0.3	-	-	0.3	-	-	-	-
Financial assets in foreign currency	-	-	-	-	-	-	9.4	-
Trade payables in foreign currency	0.1	0.1	91.0	0.2	0.1	77.2	-	0.1
Loans and other financial liabilities in foreign currency	-	1,125.2 <sup>(1)</sup>	-	-	1,124.7 <sup>(1)</sup>	-	9.4	-
<b>Total</b>	<b>0.4</b>	<b>1,125.3</b>	<b>91.0</b>	<b>0.5</b>	<b>1,124.8</b>	<b>77.2</b>	<b>18.8</b>	<b>0.1</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 6% of the total (4.2% at December 31, 2009), is fully hedged by cross currency interest rate swaps.

At December 31, 2010, 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 €156.8 million lower (€143.6 million at December 31, 2009) 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 €191.6 million higher (€175.5 million at December 31, 2009) as a result of the increase in the fair value of CFH derivatives on exchange rates.

### Commodity risk

At December 31, 2010, Enel SpA did not hold any commodity derivatives.

The two-way contract for differences entered into in 2010 with the direct subsidiary Enel Trade to hedge the risk in respect of electricity imports and the sale of the power to the Single Buyer at an indexed price expired before the end of the year. That derivative had been designated as a cash flow hedge as it met the requirements under IFRS-EU for hedge accounting.

In addition, the Company analyzes its contracts, even if

they are not derivatives, in order to determine whether they contain any embedded derivatives that must be measured in accordance with IAS 39.

At the present time there are 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 significant concentration of credit risk.

The credit risk in respect of the derivatives portfolio is considered negligible since transactions are conducted solely with leading Italian and international financial institutions, diversifying the exposure among different institutions and constantly monitoring their credit ratings.

In addition, during the year Enel entered into margin agreements with the leading financial institutions with which it operates that call for the exchange of cash collateral, which significantly mitigates the exposure to counterparty risk.

At December 31, 2010, the exposure to credit risk, represented by the carrying amount of financial assets gross of related provisions for impairment as well as derivatives with a positive fair value, net of any cash collateral held, amounted to €13,791.8 million (€23,447.5 million at December 31, 2009). Of the total, €9,993.8 million regard exposures in respect of Group companies.

Millions of euro

	at Dec. 31, 2010		at Dec. 31, 2009		2010-2009
	of which Group		of which Group		
Non-current financial receivables	330.4	181.0	343.0	198.0	(12.6)
Non-current financial derivatives	1,084.2	449.4	973.1	756.1	111.1
Other non-current financial assets	3.3	-	3.4	-	(0.1)
Trade receivables	549.6	464.4	524.0	452.5	25.6
Current financial receivables	8,544.2	8,544.2	19,001.8	19,001.8	(10,457.6)
Current financial derivatives	153.8	120.4	98.8	57.2	55.0
Other current financial assets	1,009.3	234.4	1,508.2	567.3	(498.9)
Cash and cash equivalents	2,117.0	-	995.2	-	1,121.8
<b>Total</b>	<b>13,791.8</b>	<b>9,993.8</b>	<b>23,447.5</b>	<b>21,032.9</b>	<b>(9,655.7)</b>

### Liquidity risk

Enel SpA centralizes part of treasury operations at the Group level, 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 continued capacity to access the credit market despite the recent financial crisis, Enel placed bonds with Italian and European retail investors totaling €3 billion were carried out successfully in 2010.

Enel SpA and its subsidiary Enel Finance International SA also obtained a 5-year revolving credit facility from banks

for €10 billion to be used to manage working capital (it is not part of the Group's debt refinancing program).

At December 31, 2010, Enel SpA had committed lines of credit amounting to €6,700.0 million, entirely available (€13,098 million, of which €6,548 million drawn, at December 31, 2009).

## Information on the Income Statement

### Revenues

#### 5.a Revenues from sales and services - €669.5 million

"Revenues from sales and services" break down as follows:

Millions of euro

	2010		2009		2010-2009
	<i>of which with related parties</i>		<i>of which with related parties</i>		
<b>Electricity sales</b>	<b>350.8</b>		<b>329.1</b>		<b>21.7</b>
Single Buyer	346.5	346.5	328.0	328.0	18.5
Other	4.3	4.3	1.1	1.1	3.2
<b>Services</b>	<b>318.7</b>		<b>363.9</b>		<b>(45.2)</b>
Group companies	317.5	317.5	363.1	363.1	(45.6)
Non-Group counterparties	1.2		0.8		0.4
<b>Total revenues from sales and services</b>	<b>669.5</b>		<b>693.0</b>		<b>(23.5)</b>

Revenues from "Electricity sales" mainly regard sales to the Single Buyer (€346.5 million) and the rebilling of costs incurred in respect of divergences from the daily supply program to Enel Produzione (€1.8 million). The increase of €21.7 million compared with 2009 essentially reflects the increase in the average price for electricity 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.

The decrease of €45.2 million compared with the previous

year mainly regards a decrease in rebilled amounts to Enel Energy Europe SL, which in 2009 included the costs associated with the purchase of an additional stake (25.01%) in Endesa from Acciona (€61.0 million). This negative effect was partially offset by the increase (totaling €23.6 million) in revenues from management fees and service activities.

"Revenues from sales and services" break down by geographical area as follows:

- > €552.9 million in Italy;
- > €116.2 million in the European Union;
- > €0.4 million in other non-EU countries.

#### 5.b Other revenues - €6.8 million

"Other revenues" in 2010 came to €6.8 million, a decrease of €6.5 million compared with the previous year (€13.3 million in 2009), essentially attributable to a decrease in

revenues from commodity risk hedges (€3.5 million) and a decrease in rebillings to Group companies for seconded personnel (€2.7 million).



## Net proceeds from the sale of equity investments

### 6. Net proceeds from the sale of equity investments - €731.4 million

Net proceeds from the sale of equity investments totaled €731.4 million and include:

- > €728.2 million in respect of the gain, net of transaction costs (€94.8 million), from the sale in a global public offering of 30.8% (1,541,456,258 shares) of Enel Green

Power SpA;

- > €3.2 million in respect of the gain on the sale, completed on September 29, 2010, to Acqua SpA of 39.0% of the interest held in Idrosicilia SpA.

## Costs

### 7.a Electricity purchases and consumables - €341.8 million

"Electricity purchases and consumables" totaled €341.8 million (€316.7 million in 2009) and are essentially accounted for by electricity purchases of €338.9 million (€313.4 million in 2009).

In 2010 a total of 5,720.4 million kWh were purchased, compared with 5,256.0 million kWh in 2009. The pur-

chases refer essentially to power acquired in Switzerland at prices set in long-term contracts with the supplier Atel. Costs for electricity purchases rose by €25.5 million compared with the previous year, mainly as a result of an increase in the average purchase price of electricity from Atel as well as the "settlement agreement" with that supplier.

### 7.b Services, leases and rentals - €267.3 million

Costs for "Services, leases and rentals" can be broken down as follows:

Millions of euro

	2010		2009		2010-2009
		of which with related parties		of which with related parties	
Services	251.8	85.4	292.5	63.3	(40.7)
Leases and rentals	15.5	13.2	15.7	12.9	(0.2)
<b>Total services, leases and rentals</b>	<b>267.3</b>		<b>308.2</b>		<b>(40.9)</b>

Costs for "Services", totaling €251.8 million, concerned costs for services provided by third parties in the amount of €190.8 million (€238.0 million in 2009) and services provided by Group companies totaling €61.0 million (€54.5 million in 2009). The decrease of €47.2 million in costs for services provided by third parties essentially comprises:

- > €39.7 million in respect of the decline in costs for the acquisition and disposal of companies, which in 2009 included costs incurred for the acquisition of an additional 25.01% in Endesa from Acciona;
- > €9.2 million in respect of the decrease in costs for professional and technical services as well as costs for advertising, promotion and printing (€6.2 million);

- > €5.8 million in respect of the increase in fees due to the Energy Services Operator (ESO) and Energy Markets Operator (EMO). More specifically, in 2009 the latter included the partial reimbursement by the ESO of congestion fees for the period April 1 - December 31, 2004 (€7.9 million).

Services provided by Group companies increased by €6.5 million, mainly due to increased costs incurred in respect of Enel Distribuzione (€6.1 million) associated with seconded personnel.

Cost for "Leases and rentals" came to €15.5 million, broadly unchanged on the previous year (€15.7 million in 2009).

## 7.c Personnel - €98.8 million

Personal costs break down as follows:

Millions of euro

	2010	2009	2010-2009
Wages and salaries	68.2	65.3	2.9
Social security contributions	19.6	20.1	(0.5)
Termination benefits	4.4	4.7	(0.3)
Charges for stock options and other plans	3.4	3.6	(0.2)
Other costs	3.2	3.5	(0.3)
<b>Total personnel costs</b>	<b>98.8</b>	<b>97.2</b>	<b>1.6</b>

"Personnel" costs amounted to €98.8 million, an increase of €1.6 million compared with 2009, essentially attributable to the rise in the average number of employees (an increase of 53 compared with 2009).

Social security contributions in 2010 amounted to €19.6 million and consist of contributions to the National Social Security Institute (INPS) and other minor institutions (€17.6 million) and to defined contribution/benefit plans in the amount of €2.0 million, of which €1.7 million to Fopen and Fondenel and €0.3 million to the Asem and Fide assistance associations.

Termination benefit costs in the amount of €4.4 million are

essentially unchanged from the previous year. The charge for termination benefits accruing in the year went entirely to supplementary pension plans, with 92% of employees participating in the Fopen and Fondenel plans and 8% in the Treasury Fund set up with INPS.

"Charges for stock options and other plans" and "Other costs", which totaled €3.4 million and €3.2 million respectively, were essentially in line with the previous year.

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, 2010.

	Average number			Headcount
	2010	2009	2010-2009	at Dec. 31, 2010
Senior managers	116	120	(4)	113
Middle managers	329	310	19	337
Office staff	327	289	38	353
<b>Total</b>	<b>772</b>	<b>719</b>	<b>53</b>	<b>803</b>

## 7.d Depreciation, amortization and impairment losses - €22.3 million

Millions of euro

	2010	2009	2010-2009
Depreciation	1.8	1.9	(0.1)
Amortization	5.6	6.8	(1.2)
Impairment losses	14.9	-	14.9
<b>Total depreciation, amortization and impairment losses</b>	<b>22.3</b>	<b>8.7</b>	<b>13.6</b>

Depreciation and amortization came to €7.4 million (€8.7 million in 2009), a decrease of €1.3 million compared with the previous year. The fall is mainly associated with the reduction in the average value of industrial patents and intellectual property rights following the sale of SAP HR mod-

ules in the 2nd Quarter of 2009 to Enel Servizi. Impairment losses, totaling €14.9 million, regard the adjustment of the value of the investment in Enel.NewHydro to take account of the losses posted by the latter and management's assessment of the recoverability of the carrying amount.

## 7.e Other operating expenses - €40.7 million

"Other operating expenses" totaled €40.7 million (€11.5 million in 2009), an increase of €29.2 million, essentially attributable to:

- > €15.7 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 2010 involved the recognition of net accruals in the income statement totaling €7.3 million, compared with net reversals of €8.4 million in 2009;

- > €6.9 million for increased costs on derivatives hedging energy price risk;
- > €3.0 million due to the increase in levies and association dues, essentially in respect of amounts owed to local authorities and industry associations.

**Operating income** amounted to €636.8 million (compared with an operating loss of €36.0 million in 2009), and reflects the net proceeds from the sale of 30.8% of Enel Green Power (€728.2 million).

## 8. Income from equity investments - €3,368.8 million

This item is made up entirely of dividends distributed by subsidiaries and other companies equal to €3,368.8 million (€4,481.8 million in 2009), as detailed below:

### Dividends received

Millions of euro

	2010	2009	2010-2009
Enel Produzione SpA	1,036.8	2,255.8	(1,219.0)
Enel Distribuzione SpA	1,996.8	2,095.1	(98.3)
Enel Trade SpA	286.7	53.6	233.1
Enel.Factor SpA	3.5	4.2	(0.7)
Enel Sole Srl	18.5	11.9	6.6
Enel Servizi Srl	4.2	5.5	(1.3)
Enel Energia SpA	-	37.0	(37.0)
Sfera Srl	-	1.3	(1.3)
Enel Ingegneria e Innovazione SpA	1.7	-	1.7
Terna SpA <sup>(1)</sup>	20.5	17.3	3.2
Emittenti Titoli SpA	0.1	0.1	-
<b>Total income from equity investments</b>	<b>3,368.8</b>	<b>4,481.8</b>	<b>(1,113.0)</b>

(1) Includes the interim dividend for 2010 in the amount of €8.2 million, which was paid on November 25, 2010 (€7.2 million for the interim dividend for 2009 paid on November 26, 2009).

## 9. Financial income/(expense) - €1,132.5 million

This item breaks down as follows:

Millions of euro

	2010		2009	2010-2009	
	of which with related parties			of which with related parties	
Financial income					
Interest and other income from non-current financial assets	22.1	9.9	19.5	17.7	2.6
Interest and other income from current financial assets	219.6	210.9	545.5	537.2	(325.9)
Foreign exchange gains	4.0		4.8		(0.8)
- on cash and cash equivalents	0.1		0.1		-
- on loans	0.6		1.3		(0.7)
- on other	3.3		3.4	1.1	(0.1)
Income from derivative instruments	1,830.0		1,932.9		(102.9)
- entered into on behalf of Group companies:					
from derivatives designated as FVTPL	1,605.9	444.0	1,661.3	1,441.9	(55.4)
- entered into on behalf of Enel SpA:					
from derivatives designated as FVTPL	89.5		81.8		7.7
from derivatives designated as CFH	134.6		189.8		(55.2)
Other interest and financial income	11.0	9.5	8.1	10.0	2.9
Total income	2,086.7		2,510.8		(424.1)
Financial expense					
Interest and other charges on non-current financial debt	982.7		1,285.7		(303.0)
- interest on non-current financial debt	337.9	172.5	685.8	385.1	(347.9)
- interest on bonds	644.8		599.9		44.9
Interest and other charges on current financial debt	25.8		220.9		(195.1)
- interest on debts to banks and other Group companies	25.8	15.9	220.9	185.7	(195.1)
Accretion of post-employment and other employee benefits	15.3		16.6		(1.3)
Foreign exchange losses	48.1		89.2		(41.1)
- on financial receivables and securities	-		0.1	0.1	(0.1)
- on cash and cash equivalents	0.1		0.1		-
- on loans	40.8		86.8		(46.0)
- on other	7.2		2.2		5.0
Expense on derivative instruments	2,147.1		2,172.1		(25.0)
- entered into on behalf of Group companies:					
from derivatives designated as FVTPL	1,605.3	1,072.0	1,659.8	245.5	(54.5)
- entered into on behalf of Enel SpA:					
from derivatives designated as FVTPL	296.0		237.2		58.8
from derivatives designated as CFH	245.8		275.1		(29.3)
Other interest and charges	0.2		8.3	7.4	(8.1)
Total charges	3,219.2		3,792.8		(573.6)
TOTAL FINANCIAL INCOME/(EXPENSE)	(1,132.5)		(1,282.0)		149.5

Net financial expense, totaling €1,132.5 million, essentially regard interest expense on financial debt (€1,008.5 million), net charges on interest rate derivatives (€270.5 million) and the charges from the measurement at December 31, 2010 of the bonus shares (€89.3 million) granted to the retail investors in the Enel Green Power IPO, offset by interest and other income on intercompany and bank current accounts (€210.9 million and €5.4 million respectively), on cash collateral (€3.3 million) and on loans assumed by Group companies (€9.9 million).

The decrease in interest and other charges on financial debt compared with 2009 (€498.1 million) is attributable to the broad decline in interest rates, from which Enel SpA benefited on its short-term floating-rate debt due to third parties, as well as the reduction in average long-term debt. The decrease in interest and other income from current financial assets in 2010 compared with 2009 (€325.9

million) is mainly attributable to the decline in interest on the intercompany current account with Enel Energy Europe (€253.2 million) and Enel Green Power (€43.7 million) as a result of the decrease in the debtor positions of the two companies. The decrease in interest income on the intercompany current account was also a reflection of the decline in the interest rates charged, in line with developments in market rates.

The financial expense related to the foreign exchange losses accumulated on hedged foreign-currency loans (€40.8 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.

## 10. Income taxes - €243.4 million

Millions of euro

	2010	2009	2010-2009
Current taxes	(241.1)	(303.0)	61.9
Deferred tax assets	(2.1)	6.5	(8.6)
Deferred tax liabilities	(0.2)	(0.1)	(0.1)
<b>Total taxes</b>	<b>(243.4)</b>	<b>(296.6)</b>	<b>53.2</b>

Income taxes for 2010 show a tax credit of €243.4 million, mainly due to the reduction in taxable income for Ires purposes as a result of the exclusion of 95% of dividends received from subsidiaries and the exemption of the same percentage of the capital gain on the sale of 30.8% of Enel Green Power. Total taxes also reflect the effect of deferred tax assets and liabilities (€2.3 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 effective income tax rate was a negative 8.5% for the year, as compared with the negative 9.4% for 2009.

Millions of euro

	2010	2009
Income before taxes	2,873.1	3,163.8
<b>Theoretical Ires tax liability (27.5%)</b>	<b>790.1</b>	<b>870.0</b>
<b>Tax decreases:</b>		
- gains on exempt equity investments	(187.9)	-
- dividends on equity investments	(880.1)	(1,170.9)
- uses of provisions	(9.9)	(11.1)
<b>Tax increases:</b>		
- writedowns for the year	4.1	-
- accretions to provisions	12.3	6.1
- prior-year expense	1.8	2.6
- other	31.3	4.9
<b>Total current income taxes (Ires)</b>	<b>(238.3)</b>	<b>(298.4)</b>
Irap	-	-
Foreign taxes	0.1	0.1
Difference on tax estimate for previous years	(2.9)	(3.4)
Ires recovery for Irap deductibility (10%) 2003-2007	-	(1.3)
Total deferred tax items	(2.3)	6.4
<b>TOTAL INCOME TAXES</b>	<b>(243.4)</b>	<b>(296.6)</b>

# Information on the Balance Sheet

## Assets

### Non-current assets

#### 11. Property, plant and equipment - €4.7 million

Developments in property, plant and equipment for 2009 and 2010 are set out in the table below:

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Total
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>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>(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>6.4</b>
Capital expenditure	-	-	-	-	0.2	-	0.2
Depreciation	-	-	-	-	(0.5)	(1.3)	(1.8)
Disposals	-	(0.1)	-	-	-	-	(0.1)
<b>Total changes</b>	<b>-</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>(0.3)</b>	<b>(1.3)</b>	<b>(1.7)</b>
Cost	0.4	2.7	3.0	5.3	18.1	22.6	52.1
Accumulated depreciation	-	(1.4)	(3.0)	(5.3)	(17.2)	(20.5)	(47.4)
<b>Balance at Dec. 31, 2010</b>	<b>0.4</b>	<b>1.3</b>	<b>-</b>	<b>-</b>	<b>0.9</b>	<b>2.1</b>	<b>4.7</b>

"Property, plant and equipment" totaled €4.7 million, a decrease of €1.7 million on 2009, mainly attributable to depreciation for the year.

"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.

## 12. Intangible assets - €15.5 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	<b>Total</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>
Capital expenditure	6.7	-	6.7
Assets entering service	7.3	(7.3)	-
Amortization	(5.6)	-	(5.6)
<b>Total changes</b>	<b>8.4</b>	<b>(7.3)</b>	<b>1.1</b>
<b>Balance at Dec. 31, 2010</b>	<b>15.5</b>	<b>-</b>	<b>15.5</b>

"Industrial patents and intellectual property rights" relate mainly to costs incurred in purchasing software as well as related evolutionary maintenance. Amortization is calculated on a straight-line basis over the item's residual useful life (three years on average).

The increase of €8.4 million is mainly attributable to the "Integrated Finance System" (€5.4 million, of which €5.3 million for assets entering service), the "Group Wide Re-

porting Model" (€4.3 million, of which €2.0 million for assets entering service), the "Security Control Center" (€2.7 million) and the "Porting Web-2010" project (€0.7 million), partially offset by amortization for the year (5.6 million).

"Other intangible assets in progress", equal to zero, show a reduction of €7.3 million on 2009 as a result of the assets entering service reported above.



## 13. Deferred tax assets and liabilities - €327.8 million and €125.7 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, 2009			at Dec. 31, 2010
<b>Deferred tax assets</b>				
<i>Nature of the temporary difference:</i>				
- accruals to provisions for risks and charges and impairment losses	33.9	2.1	-	36.0
- financial derivatives	196.7	-	15.0	211.7
- costs for capital increase	42.5	-	(10.6)	31.9
- other items	48.2	-	-	48.2
<b>Total deferred tax assets</b>	<b>321.3</b>	<b>2.1</b>	<b>4.4</b>	<b>327.8</b>
<b>Deferred tax liabilities</b>				
<i>Nature of the temporary difference:</i>				
- differences on non-current and financial assets	3.5	-	0.3	3.8
- income subject to deferred taxation	0.3	-	-	0.3
- measurement of financial instruments	103.2	-	18.1	121.3
- other items	0.5	(0.2)	-	0.3
<b>Total deferred tax liabilities</b>	<b>107.5</b>	<b>(0.2)</b>	<b>18.4</b>	<b>125.7</b>
<b>Offsettable net deferred tax assets (Ires)</b>	<b>198.4</b>			<b>186.9</b>
<b>Offsettable net deferred tax assets (Irap)</b>	<b>15.4</b>			<b>15.2</b>

"Deferred tax assets" amounted to €327.8 million (€321.3 million at December 31, 2009), an increase of €6.5 million on the previous year, mainly attributable to deferred tax assets in respect of the fair value measurement of cash flow hedges (€15.0 million) and changes in provisions for risks and charges (€2.1 million), partially offset by the release of deferred tax assets in respect of the transaction costs of the capital increase (€10.6 million).

"Deferred tax liabilities" totaled €125.7 million (€107.5 million at December 31, 2009), an increase of €18.2 million, essentially attributable to deferred taxes in respect of the fair value measurement of cash flow hedges (€18.1 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).

## 14. Equity investments - €38,830.9 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	%holding	Mergers (+/-)
at Dec. 31, 2009						
<b>A) Subsidiaries</b>						
Enel Produzione SpA	4,891.8	-	2.9	4,894.7	100.0	-
Enel Ingegneria e Innovazione SpA	46.5	-	0.4	46.9	100.0	-
Enel Distribuzione SpA	6,311.7	-	1.7	6,313.4	100.0	-
Enel Servizio Elettrico SpA	10.0	-	0.4	10.4	100.0	-
Enel Trade SpA	101.0	-	0.5	101.5	100.0	-
Enel Green Power SpA	1,630.4	-	1.1	1,631.5	100.0	-
Enel Investment Holding BV	8,498.1	(4,473.0)	-	4,025.1	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)	0.5	1,313.2	100.0	-
Enel Energy Europe SL	15,300.1	-	-	15,300.1	100.0	-
Enel Finance International SA	1,414.2	-	-	1,414.2	100.0	(1,414.2)
Enel.Factor SpA	17.9	(0.4)	-	17.5	100.0	-
Enel Capital Srl - in liquidation	8.5	(2.4)	-	6.1	100.0	-
Enel Sole Srl	5.3	-	-	5.3	100.0	-
Enel Servizi Srl	524.5	(40.2)	1.9	486.2	100.0	-
Enel.NewHydro Srl	45.5	(28.0)	-	17.5	100.0	-
Enel Finance International NV <sup>(*)</sup>	0.07	-	-	0.07	100.0	1,414.2
Vallenergie SpA	0.9	-	-	0.9	51.0	-
<b>Total subsidiaries</b>	<b>40,336.0</b>	<b>(4,704.0)</b>	<b>9.4</b>	<b>35,641.4</b>		<b>-</b>
<b>B) Joint ventures</b>						
Sviluppo Nucleare Italia Srl	3.0	-	-	3.0	50.0	-
<b>Total joint ventures</b>	<b>3.0</b>	<b>-</b>	<b>-</b>	<b>3.0</b>		<b>-</b>
<b>C) Associated companies</b>						
CESI SpA	2.2	-	-	2.2	25.9	-
<b>Total associated companies</b>	<b>2.2</b>	<b>-</b>	<b>-</b>	<b>2.2</b>		<b>-</b>
<b>D) Other companies</b>						
Elcogas SA	4.8	(1.1)	-	3.7	4.3	-
Emittenti Titoli SpA	0.5	-	-	0.5	10.0	-
Terna - Rete Elettrica Nazionale SpA	46.2	260.2	-	306.4	5.1	-
Consorzio Civita - in liquidation	-	-	-	-	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>51.5</b>	<b>259.1</b>	<b>-</b>	<b>310.6</b>		<b>-</b>
<b>TOTAL EQUITY INVESTMENTS</b>	<b>40,392.7</b>	<b>(4,444.9)</b>	<b>9.4</b>	<b>35,957.2</b>		<b>-</b>

\* Formerly Enel Trading Rus NV.

Capital contributions and loss coverage	(Disposals)/ (Liquidations)	Value adjustments	IFRIC 11 equity grants and other IFRS 2 changes - stock options and RSUs	Net change	Original cost	(Writedowns)/ Revaluations	Other changes - IFRIC 11 and IFRS 2	Carrying amount	%holding
Changes in 2010					at Dec. 31, 2010				
-	-	-	0.7	0.7	4,891.8	-	3.6	4,895.4	100.0
-	-	-	0.4	0.4	46.5	-	0.8	47.3	100.0
-	-	-	0.1	0.1	6,311.7	-	1.8	6,313.5	100.0
-	-	-	0.1	0.1	10.0	-	0.5	10.5	100.0
800.0	-	-	0.3	800.3	901.0	-	0.8	901.8	100.0
3,700.0	(1,643.3)	-	0.7	2,057.4	3,687.1	-	1.8	3,688.9	69.2
-	-	-	-	-	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)	0.7	1,313.4	100.0
-	-	-	-	-	15,300.1	-	-	15,300.1	100.0
-	-	-	-	(1,414.2)	-	-	-	-	-
-	-	-	-	-	17.9	(0.4)	-	17.5	100.0
-	(6.1)	-	-	(6.1)	2.4	(2.4)	-	-	-
-	-	-	-	-	5.3	-	-	5.3	100.0
-	-	-	0.6	0.6	524.5	(40.2)	2.5	486.8	100.0
-	-	(14.9)	-	(14.9)	45.5	(42.9)	-	2.6	100.0
0.03	-	-	-	1,414.23	1,414.30	-	-	1,414.30	100.0
-	-	-	-	-	0.9	-	-	0.9	51.0
4,500.03	(1,649.4)	(14.9)	3.1	2,838.8	43,186.6	(4,718.9)	12.5	38,480.2	
16.5	-	-	-	16.5	19.5	-	-	19.5	50.0
16.5	-	-	-	16.5	19.5	-	-	19.5	
-	-	-	-	-	2.2	-	-	2.2	25.9
-	-	-	-	-	2.2	-	-	2.2	
-	-	-	-	-	4.8	(1.1)	-	3.7	4.3
-	-	-	-	-	0.5	-	-	0.5	10.0
-	-	18.4	-	18.4	46.2	278.6	-	324.8	5.1
-	-	-	-	-	-	-	-	-	25.0
-	-	-	-	-	-	-	-	-	0.3
-	-	18.4	-	18.4	51.5	277.5	-	329.0	
4,516.53	(1,649.4)	3.5	3.1	2,873.7	43,259.8	(4,441.4)	12.5	38,830.9	

The table below reports changes in equity investments in 2010:

Millions of euro

**Increases:**

Recapitalization of Enel Green Power SpA	3,700.0
Recapitalization of Enel Trade SpA	800.0
Fair value measurement of Terna - Rete Elettrica Nazionale SpA	18.4
Recapitalization of Sviluppo Nucleare Italia Srl	16.5
Measurement of stock incentive plans (stock option and restricted share unit plans) organized by Enel SpA for employees of subsidiaries	3.1
Recapitalization of Enel Finance International NV (formerly Enel Trading Rus NV)	0.03
Merger of Enel Finance International SA into Enel Finance International NV	1,414.2
<b>Total increases</b>	<b>5,952.2</b>

**Decreases:**

Sale of 30.8% of Enel Green Power SpA in global public offering	(1,643.3)
Writedown of Enel.NewHydro Srl	(14.9)
Liquidation of Enel Capital Srl	(6.1)
Merger of Enel Finance International SA into Enel Finance International NV	(1,414.2)
<b>Total decreases</b>	<b>(3,078.5)</b>
<b>NET CHANGE</b>	<b>2,873.7</b>

The net increase of €2,873.7 million in the value of equity investments in subsidiaries, joint ventures, associates and other companies is mainly due to the following:

- > the recapitalization of Enel Green Power SpA in the amount of €3,700.0 million by way of the waiver of Enel SpA's receivable on the intercompany current account held with the company;
- > the recapitalization of Enel Trade SpA in the amount of €800.0 million by way of partial waiver of Enel SpA's receivable on the intercompany current account held with the company, with the funds being allocated to increase the available equity reserve;

- > the fair value measurement of the holding in Terna - Rete Elettrica Nazionale SpA as a result of the increase in its stock price as at the close of the year (€18.4 million);
- > the recapitalization of Sviluppo Nucleare Italia Srl in the amount of €16.5 million, with the funds being allocated to increase the available equity reserve;
- > the increase in the value of equity investments in subsidiaries in the amount of €3.1 million associated with stock incentive plans (stock option and restricted share unit plans) organized by Enel SpA for employees of the subsidiaries;
- > the recapitalization of Enel Finance International NV (formerly Enel Trading Rus NV) in the amount of €0.03 million;
- > the sale of 30.8% of Enel Green Power SpA, with a carrying amount of €1,643.3 million in a global public offering;
- > the writedown of the holding in Enel.NewHydro Srl in the amount of €14.9 million to reflect impairment losses and the estimated recovery of the carrying amount;
- > the liquidation of Enel Capital Srl in the amount of €6.1 million.

In addition, as at December 1, 2010, Enel Finance International SA, registered in Luxembourg, was merged into Enel Finance International NV, registered in the Netherlands, in a transnational merger.

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, equal to 1% of share capital, 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, 2010.

	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	7,161.4	959.1	100.0	4,895.4
Enel Ingegneria e Innovazione SpA	Rome	Euro	30,000,000	50.9	0.2	100.0	47.3
Enel Distribuzione SpA	Rome	Euro	2,600,000,000	8,903.9	1,765.9	100.0	6,313.5
Enel Servizio Elettrico SpA	Rome	Euro	10,000,000	76.9	21.3	100.0	10.5
Enel Trade SpA	Rome	Euro	90,885,000	942.3	30.4	100.0	901.8
Enel Green Power SpA	Rome	Euro	1,000,000,000	6,302.7	344.3	69.2	3,688.9
Enel Investment Holding BV	Amsterdam	Euro	1,593,050,000	4,328.6	41.9	100.0	4,025.1
Enelpower SpA	Milan	Euro	2,000,000	29.6	6.8	100.0	37.8
Deval SpA	Aosta	Euro	37,500,000	63.2	6.0	51.0	19.0
Enel Energia SpA	Rome	Euro	302,039	1,079.2	(99.9)	100.0	1,313.4
Enel Energy Europe SL	Madrid	Euro	500,000,000	19,863.6	529.7	100.0	15,300.1
Enel.Factor SpA	Rome	Euro	12,500,000	44.9	4.9	100.0	17.5
Enel Sole Srl	Rome	Euro	4,600,000	31.1	10.4	100.0	5.3
Enel Servizi Srl	Rome	Euro	50,000,000	499.1	5.1	100.0	486.8
Enel.NewHydro Srl	Rome	Euro	1,000,000	2.6	(7.1)	100.0	2.6
Enel Finance International NV <sup>(1)</sup>	Amsterdam	Euro	1,478,810,370	1,258.70	77.80	100.0	1,414.3
Vallenergie SpA	Aosta	Euro	1,700,000	1.2	(0.7)	51.0	0.9
<b>B) Joint ventures</b>							
Sviluppo Nucleare Italia Srl	Rome	Euro	200,000	10.4	(23.7)	50.0	19.5
<b>C) Associated companies</b>							
CESI SpA	Milan	Euro	8,550,000	59.0	10.9	25.9	2.2
<b>D) Other companies</b>							
Elcogas SA	Puertollano	Euro	20,242,260	5.5	(47.5)	4.3	3.7
Emittenti Titoli SpA	Milan	Euro	4,264,000	6.2	0.9	10.0	0.5
Terna - Rete Elettrica Nazionale SpA	Rome	Euro	440,967,054	2,534.3	433.7	5.1	324.8
Consorzio Civita - in liquidation	Rome	Euro	156,000	0.03	(0.02)	25.0	-
Consorzio Bresciano per la ricerca applicata e l'innovazione tecnologica nel settore dell'automazione industriale Srl	Brescia	Euro	918,493	1.0	0.05	0.3	-

(1) Formerly Enel Trading Rus NV.

With regard to the investments in Enel Energia SpA, Sviluppo Nucleare Italia Srl, Enelpower SpA and Enel Finance International NV, the carrying amount is deemed to be recoverable even though it exceeds total equity of the shareholding as at December 31, 2010, based on estimates of expected future performance.

As regards "Equity investments in other companies", listed companies are measured at fair value as 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

	at Dec. 31, 2010	at Dec. 31, 2009
Equity investments in listed companies measured at fair value	324.8	306.4
Terna - Rete Elettrica Nazionale SpA	324.8	306.4
Equity investments in unlisted companies measured at cost	4.2	4.2
Elcogas SA	3.7	3.7
Emittenti Titoli SpA	0.5	0.5

## 15. Non-current financial assets - €1,448.2 million

The aggregate is composed of the following:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
Financial receivables:	333.7	346.4	(12.7)
- due from subsidiaries	181.0	198.0	(17.0)
- due from others	149.4	145.0	4.4
- other	3.3	3.4	(0.1)
Derivative contracts	1,084.2	973.1	111.1
Prepaid expenses	30.3	-	30.3
<b>Total</b>	<b>1,448.2</b>	<b>1,319.5</b>	<b>128.7</b>

The item "Financial receivables due from subsidiaries" refers to receivables in respect of the assumption by Group companies of their share of financial debt (€181.0 million). The terms of the agreements call for the redebiting 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 of €17.0 million was attributable to the reclassification to current financial assets of the portion of receivables falling due within 12 months.

"Financial receivables due from others" (€149.4 million) regard the original loan of €145.0 million plus capitalized interest from Enel SpA to F2i Reti Italia in performance of the contract for the sale to the latter of 80% of Enel Rete Gas SpA.

"Prepaid expenses" regard residual transaction costs (€30.3 million) on the €10-billion revolving credit facility agreed on April 19, 2010 between Enel, Enel Finance International and Mediobanca, which are recognized in that account and taken to the income statement over the term of the facility (5 years).

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

Millions of euro	Notional amount		Fair value <sup>(1)</sup>		2010-2009
	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	
Cash flow hedge derivatives:					
- interest rates	150.0	150.0	3.3	3.3	-
- exchange rates	1,278.0	1,238.6	239.3	169.8	69.5
Total	1,428.0	1,388.6	242.6	173.1	69.5
Trading derivatives:					
- interest rates	3,095.7	3,216.8	170.9	150.9	20.0
- exchange rates	8,895.2	8,603.7	670.7	649.1	21.6
Total	11,990.9	11,820.5	841.6	800.0	41.6
TOTAL	13,418.9	13,209.1	1,084.2	973.1	111.1

(1) "Level 2" fair value.

The notional amount of cash flow hedge derivatives on interest rates and on exchange rates at December 31, 2010

was €1,428.0 million, while the corresponding fair value was a positive €242.6 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 increase in the fair value compared with the previous year (€69.5 million) is mainly attributable to developments in the exchange rate of the euro against the pound sterling.

The notional amount of trading derivatives on interest rates and on exchange rates at December 31, 2010 was

€11,990.9 million, while the corresponding fair value was a positive €841.6 million. The increase in the notional amount of trading derivatives is essentially due to establishment of cross currency interest rate swaps, whose outstanding is denominated in foreign currency and reflects the measurement of positions at year-end exchange rates.

Financial receivables and derivatives 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
<b>at Dec. 31, 2010</b>				<b>at Dec. 31, 2009</b>		
Financial receivables:	67.3	266.4	333.7	84.4	262.0	346.4
- due from subsidiaries	64.0	117.0	181.0	81.0	117.0	198.0
- due from others	-	149.4	149.4	-	145.0	145.0
- other	3.3	-	3.3	3.4	-	3.4
Derivative contracts	159.3	924.9	1,084.2	55.2	917.9	973.1
<b>Total</b>	<b>226.6</b>	<b>1,191.3</b>	<b>1,417.9</b>	<b>139.6</b>	<b>1,179.9</b>	<b>1,319.5</b>

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

Millions of euro	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
Financial assets measured at fair value through profit or loss	841.6	800.0	41.6
Loans and receivables	364.0	346.4	17.6
Cash flow hedge derivatives	242.6	173.1	69.5
<b>Total</b>	<b>1,448.2</b>	<b>1,319.5</b>	<b>128.7</b>

## 16. Other non-current assets - €264.1 million

This item can be broken down as follows:

Millions of euro	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
Receivables from subsidiaries for assumption of supplementary pension plan liabilities	222.1	234.1	(12.0)
Tax receivables	41.8	41.6	0.2
Other long-term receivables:			
- 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>264.1</b>	<b>275.9</b>	<b>(11.8)</b>

The item "Receivables 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 €160.4 million (€172.5 million at December 31, 2009).

"Tax receivables" regard the tax credit, including accrued interest (a total of €41.8 million), 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 for excess income tax paid as a result of not partially (10%) deducting Irap in calculating 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

### 17. Trade receivables - €542.0 million

The aggregate is composed of the following:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Customers:</b>			
- sale and transport of electricity	67.6	53.2	14.4
- other receivables	10.0	10.8	(0.8)
<b>Total</b>	<b>77.6</b>	<b>64.0</b>	<b>13.6</b>
Trade receivables due from subsidiaries	464.4	452.5	11.9
<b>TOTAL</b>	<b>542.0</b>	<b>516.5</b>	<b>25.5</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 increase in receivables from non-Group customers (€13.6 million) is essentially due to the increase in receivables from the Single Buyer as a result of the increase 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 increase in management fees and service activities.

Trade receivables due from subsidiaries break down as follows:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Subsidiaries:</b>			
- Enel Energy Europe SL	3.7	74.4	(70.7)
- Enel Produzione SpA	82.2	70.3	11.9
- Enel Distribuzione SpA	58.4	109.5	(51.1)
- Enel Ingegneria e Innovazione SpA	3.7	2.9	0.8
- Enel Green Power SpA	56.9	29.3	27.6
- Endesa SA	33.5	37.7	(4.2)
- Enel Servizio Elettrico SpA	10.0	14.7	(4.7)
- Enel Trade SpA	16.3	13.8	2.5
- Enel Energia SpA	44.4	27.1	17.3
- Enel Servizi Srl	21.2	13.3	7.9
- Slovenské elektrárne AS	22.0	13.2	8.8
- Enel.si Srl	9.5	4.9	4.6
- Enelpower SpA	1.5	1.5	-
- Enel Investment Holding BV	1.5	1.5	-
- Enel North America Inc.	0.7	3.1	(2.4)
- Sfera Srl	-	1.8	(1.8)
- Enel Sole Srl	5.7	4.9	0.8
- Enel OGK5-5 OJSC	7.4	3.6	3.8
- Endesa Distribución Eléctrica SL	24.9	-	24.9
- Endesa Energía SA	7.9	-	7.9
- Endesa Generación SA	7.9	-	7.9
- Enel Romania Srl	5.8	3.5	2.3
- Sviluppo Nucleare Italia Srl	5.3	1.9	3.4
- Other	34.0	19.6	14.4
<b>Total</b>	<b>464.4</b>	<b>452.5</b>	<b>11.9</b>

Trade receivables by geographical area are shown below:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
Italy	382.4	351.5	30.9
EU	143.7	150.4	(6.7)
Non-EU	11.2	7.7	3.5
Other	4.7	6.9	(2.2)
<b>Total</b>	<b>542.0</b>	<b>516.5</b>	<b>25.5</b>

## 18. Income tax receivables - €271.9 million

"Income tax receivables" at December 31, 2010, totaled €271.9 million and essentially regard the Company's Ires credit for current 2010 taxes.

## 19. Current financial assets - €9,692.9 million

This item can be broken down as follows:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Financial receivables due from Group companies:</b>			
- short-term financial receivables (intercompany current account)	8,527.1	19,001.5	(10,474.4)
- current portion of receivables for assumption of loans	17.0	0.3	16.7
- other financial receivables	234.4	567.3	(332.9)
- derivatives	120.4	57.2	63.2
<b>Financial receivables due from others:</b>			
- derivatives	33.5	41.7	(8.2)
- current portion of long-term loans	0.6	0.3	0.3
- other financial receivables	97.3	47.4	49.9
- cash collateral for margin agreements on OTC derivatives	662.6	893.2	(230.6)
<b>Total</b>	<b>9,692.9</b>	<b>20,608.9</b>	<b>(10,916.0)</b>

"Current financial assets" decreased by €10,916.0 million compared with previous year.

"Financial receivables due from Group companies" decreased by €10,727.4 million compared with December 31, 2009, due essentially to the following:

- > a reduction in short-term financial receivables due from Group companies on the intercompany current account (€10,474.4 million), essentially attributable to transactions with Enel Energy Europe (€7,914.9 million) owing to the restructuring of the debt of that company, associated with a partial repayment of its debtor position through the increase, from €10,000.0 million to €18,000.0 million, in the long-term loan granted to it by Enel Finance International, and to Enel Green Power (€3,394.1 million), essentially due to the recapitalization by way of waiver of part of Enel SpA's receivable

on the intercompany current account. These factors were partially offset by increased borrowing by Enel Distribuzione (€775.5 million);

- > a decrease on other financial receivables in respect of interest and fees accrued on the intercompany current account in the amount of €332.9 million.

"Financial receivables due from others" decreased by €188.6 million compared with December 31, 2009, mainly attributable to the reduction in cash collateral paid to counterparties for OTC derivatives on interest rates and exchange rates (a total of €230.6 million).

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

Millions of euro	Notional amount		Fair value <sup>(1)</sup>		2010-2009
	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	
Trading derivatives:					
- exchange rates	5,125.8	3,495.2	153.9	97.1	56.8
- commodities	-	17.0	-	1.8	(1.8)
<b>Total</b>	<b>5,125.8</b>	<b>3,512.2</b>	<b>153.9</b>	<b>98.9</b>	<b>55.0</b>

(1) "Level 2" fair value.

The item is entirely accounted for by trading derivatives, mainly exchange rate hedges on energy commodities entered into on behalf of Group companies. The increase in

the notional amount and in the fair value of the derivatives compared with December 31, 2009, is essentially associated with normal operations.

## 20. Cash and cash equivalents - €2,117.0 million

Cash and cash equivalents are detailed in the following table:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
Bank deposits	2,116.4	994.6	1,121.8
Post office deposits	0.5	0.5	-
Cash and cash equivalents on hand	0.1	0.1	-
<b>Total</b>	<b>2,117.0</b>	<b>995.2</b>	<b>1,121.8</b>

Bank deposits represent liquidity connected with operations.

Of total cash and cash equivalents, only €8.3 million are restricted by encumbrances.

## 21. Other current assets - €256.6 million

At December 31, 2010, the item broke down as follows:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
Tax receivables	38.1	142.8	(104.7)
Other receivables due from Group companies	205.2	397.6	(192.4)
Receivables due from others	13.2	14.0	(0.8)
<b>Total</b>	<b>256.5</b>	<b>554.4</b>	<b>(297.9)</b>

With respect to December 31, 2009, "Other current assets" show a total decrease of €297.9 million.

"Tax receivables" totaled €38.1 million and are primarily related to prior-year Irap and Ires receivables in the amount of €28.5 million for tax refunds requested and the VAT receivable for the Group in the amount of €2.2 million. The decrease of €104.7 million on December 31, 2009 is mainly attributable to the fall 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 (€77.8 million), as well as to the VAT receivable from the companies participating in the Group VAT mechanism (€126.4 million). The reduction of €192.4 million on December 31, 2009 is mainly attributable the decrease in the Ires receivables due from companies participating in the consolidated taxation mechanism (€210.5 million).

## Non-current assets classified as held for sale

### 22. Non-current assets classified as held for sale - €0.0 million

"Non-current assets classified as held for sale" decreased by €9.0 million compared with December 31, 2009, following the sale of the 39% stake in Idrosicilia. The residual

interest of 1% in that company has been recognized in the amount of €1 thousand at December 31, 2010, under the terms of the sale agreement.

# Liabilities

## Equity

### 23. Shareholders' equity - €24,515.6 million

Shareholders' equity amounted to €24,515.6 million, up €793.9 million on December 31, 2009. The increase is essentially attributable to the net impact of net income for the year (€3,141.2 million), the distribution of the balance of the dividend for 2009 (€1,410.5 million) approved by the Shareholders' Meeting on April 29, 2010, and the interim dividend for 2010 approved by the Board of Directors of Enel SpA on September 29, 2010, in the amount of €0.10 per share (a total of €940.3 million).

#### Share capital - €9,403.4 million

At December 31, 2010, the share capital of Enel SpA – considering no options were exercised as part of stock option plans in 2010 – is represented by 9,403,357,795 ordinary shares with a par value of €1.00 each (9,403,357,795 at December 31, 2009, fully subscribed and paid up).

At the same date, based on the shareholders register and the notices submitted to CONSOB and received by the Company pursuant to Article 120 of Legislative Decree 58 of February 24, 1998, as well as 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 31.24%, BlackRock Inc., which holds a 2.74% share wholly owned by its subsidiaries, and Natixis SA (with 2.07%).

Compared with the previous year, the Ministry for the Economy and Finance received 17.36% of Enel SpA share capital from its subsidiary Cassa Depositi e Prestiti SpA (thereby increasing its direct holding from 13.88% to 31.24%) as a result of the share exchange provided for under the Decree of the Minister for the Economy and Finance of November 30, 2010, published in the *Gazzetta Ufficiale* on December 16, 2010.

#### Other reserves - €9,541.8 million

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

The share premium reserve did not change compared with the previous year.

##### Legal reserve - €1,880.7 million

Following the allocation of net income for 2009 by the Shareholders' Meeting of April 29, 2010, the legal reserve reached the threshold, equal to 20.0% of share capital, specified in Article 2430, paragraph 1, of the Italian Civil Code.

##### 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 - €68.1 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 €29.0 million in respect of the stock-option reserve and €20.1 million for other reserves.

##### Reserve from measurement of financial instruments - €85.6 million

The reserve includes the positive reserve of €274.8 million (net of negative tax effects in the amount of €3.8 million) from the measurement of available-for-sale (AFS) financial instruments and the negative reserve of €189.2 million (net of positive tax effects in the amount of €90.4 million) from the measurement of cash flow hedge derivatives.

The table below provides a breakdown of changes in 2009 and 2010.

Millions of euro		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)
	at Jan. 1, 2009										at Dec. 31, 2010
Gains/(Losses) from fair value measurement of cash flow hedging, effective portion	(145.7)	(161.9)	52.3	88.1	(28.5)	(195.7)	(103.5)	33.3	113.1	(36.4)	(189.2)
Gains/(Losses) from fair value measurement of financial investments available for sale	190.7	66.8	(0.9)	-	-	256.6	18.5	(0.3)	-	-	274.8
<b>Gains/(Losses) recognized directly in equity</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>	<b>(85.0)</b>	<b>33.0</b>	<b>113.1</b>	<b>(36.4)</b>	<b>85.6</b>

### Retained earnings - €3,394.2 million

In 2010, the item shows an increase of €682.2 million, essentially attributable to retained net income for the previous year, as approved by the Shareholders' Meeting of April 29, 2010.

### Net income for the year - €2,176.2 million

Net income for 2010, net of the interim dividend for 2010 in the amount of €0.10 per share (for a total of €940.3 million) distributed as of November 25, 2010, came to €2,176.2 million, decreasing by €343.9 million compared with 2009 (€2,520.1 million) due essentially to the decrease in dividends distributed by Group companies, partially offset by net proceeds from the sale of equity investments.

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	5,292.1
<b>Income reserves:</b>			
- legal reserve	1,880.7	B	-
- reserve pursuant to Law 292/1993	2,215.4	ABC	2,215.4
- reserve from measurement of financial instruments	85.6		-
- reserve for capital grants	19.0	ABC	19.0
- stock option reserve	28.9	ABC	26.9 <sup>(1) (2)</sup>
- other	20.1	ABC	20.1
Retained earnings/(Losses carried forward)	3,394.2	ABC	3,394.2
<b>Total</b>	<b>22,339.4</b>		<b>10,967.7</b>
<b>portion available for distribution</b>			<b>10,964.8</b>

A: for capital increases  
B: to cover losses  
C: for distribution to shareholders

(1) Regards lapsed options.  
(2) Not distributable in the amount of €2.9 million regarding options granted by the Parent Company to employees of subsidiaries that have lapsed.



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.

In the previous three years, a portion of the available "retained earnings" reserve was used, in the amount of €309.3 million, for the distribution of dividends to shareholders.

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

### 24. Long-term loans (including the portion falling due within 12 months) - €23,131.3 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 €805.5 million), amounted to €23,131.3

million at December 31, 2010.

The following tables show long-term debt and repayment schedules at December 31, 2010, grouped by loan and interest rate type.

Millions of euro	Maturing	Carrying amount	Nominal value	Carrying amount	Nominal value
		at Dec. 31, 2010		at Dec. 31, 2009	
Bonds:					
- listed, fixed rate	2011-2037	10,487.4	10,589.5	8,582.3	8,648.7
- listed, floating rate	2012-2016	3,769.8	3,800.0	2,686.8	2,700.0
- unlisted, fixed rate		-	-	0.3	0.3
- unlisted, floating rate	2011-2032	1,915.0	1,915.2	2,041.7	2,041.9
Total		16,172.2	16,304.7	13,311.1	13,390.9
Bank loans:					
- fixed rate	2011-2012	0.3	0.3	0.6	0.6
- floating rate	2012-2016	4,161.6	4,217.1	6,448.4	6,548.1
Total		4,161.9	4,217.4	6,449.0	6,548.7
Loans from Group companies:					
- fixed rate	2025	2,797.2	2,800.0	3,041.4	3,044.3
- floating rate		-	-	7,990.0	7,990.0
Total		2,797.2	2,800.0	11,031.4	11,034.3
TOTAL		23,131.3	23,322.1	30,791.5	30,973.9

Millions of euro	Carrying amount	Current portion	Portion maturing	Maturing in				
	at Dec. 31, 2010	<12 months	>12 months	2012	2013	2014	2015	Beyond
<b>Bonds:</b>								
- listed, fixed rate	10,487.4	749.5	9,737.9	598.7	748.9	-	989.5	7,400.8
- listed, floating rate	3,769.8	-	3,769.8	399.3	-	997.7	1,292.6	1,080.2
- unlisted, floating rate	1,915.0	55.8	1,859.2	57.5	59.2	61.3	62.8	1,618.4
<b>Total</b>	<b>16,172.2</b>	<b>805.3</b>	<b>15,366.9</b>	<b>1,055.5</b>	<b>808.1</b>	<b>1,059.0</b>	<b>2,344.9</b>	<b>10,099.4</b>
<b>Bank loans:</b>								
- fixed rate	0.3	0.2	0.1	0.1	-	-	-	-
- floating rate	4,161.6	-	4,161.6	2,041.8	-	1,433.7	-	686.1
<b>Total</b>	<b>4,161.9</b>	<b>0.2</b>	<b>4,161.7</b>	<b>2,041.9</b>	<b>-</b>	<b>1,433.7</b>	<b>-</b>	<b>686.1</b>
<b>Loans from Group companies:</b>								
- fixed rate	2,797.2	-	2,797.2	-	-	-	-	2,797.2
<b>Total</b>	<b>2,797.2</b>	<b>-</b>	<b>2,797.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,797.2</b>
<b>TOTAL</b>	<b>23,131.3</b>	<b>805.5</b>	<b>22,325.8</b>	<b>3,097.4</b>	<b>808.1</b>	<b>2,492.7</b>	<b>2,344.9</b>	<b>13,582.7</b>

The balance for bonds is stated net of €425.0 million relating to the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", held 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, 2009	at Dec. 31, 2010	at Dec. 31, 2010		
Euro	29,524.9	21,824.1	21,997.7	3.67%	3.84%
Pound sterling	1,266.5	1,307.2	1,324.4	5.99%	6.02%
Japanese yen	0.1	-	-	-	-
<b>Total non-euro currencies</b>	<b>1,266.6</b>	<b>1,307.2</b>	<b>1,324.4</b>		
<b>TOTAL</b>	<b>30,791.5</b>	<b>23,131.3</b>	<b>23,322.1</b>		

The table below reports changes in the nominal value of long-term debt during 2010:

Millions of euro	Nominal value	Repayments	New financing	Own bonds repurchased	Exchange rate differences	Nominal value
	at Dec. 31, 2009					at Dec. 31, 2010
Bonds	13,390.9	(54.4)	3,000.0	(72.6)	40.8	16,304.7
Bank loans	6,548.7	(2,331.3)	-	-	-	4,217.4
Loans from Group companies	11,034.3	(8,234.3)	-	-	-	2,800.0
<b>Total</b>	<b>30,973.9</b>	<b>(10,620.0)</b>	<b>3,000.0</b>	<b>(72.6)</b>	<b>40.8</b>	<b>23,322.1</b>

Compared with December 31, 2009, the nominal value of long-term debt at December 31, 2010, decreased by €7,651.8 million as the net result of €3,000.0 million in new financing, €10,620.0 million in repayments, €72.6 million in repurchases of own bonds and €40.8 million in negative exchange rate differences.

The main transactions carried out in 2010 include:

- > a partial early repayment in the amount of €5,365.0 million of a long-term loan granted in 2008 by Enel Fi-

nance International in the original amount of €7,865.0 million falling due on December 31, 2013. The remaining outstanding loan (€2,500.0 million) was renegotiated to fall due in 15 years;

- > the early repayment in the amount of €2,644.3 million of a long-term loan granted by Enel Finance International on January 1, 2008, falling due on December 31, 2013;
- > voluntary repayments totaling €1,831.0 million on the original €35 billion syndicated credit line following the

issue of a pan-European multi-tranche bond for retail investors (discussed below), of which:

- €887.4 million related to the tranche maturing in 2012;
  - €637.6 million related to the tranche maturing in 2014;
  - €306.0 million related to the tranche maturing in 2016;
- > the issue of a pan-European multi-tranche fixed- and floating-rate bond for retail investors totaling €3,000.0 million, with the following characteristics:
- €2,000.0 million fixed-rate 3.5% bond maturing on February 26, 2016;
  - €1,000.0 million floating-rate bond maturing on February 26, 2016.

Following these repayments, at December 31, 2010, 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:

- > €3,417.2 million maturing in April 2012 (of which €2,043.8 million pertaining to Enel SpA);
- > €2,400.8 million maturing in April 2014 (of which €1,468.5 million pertaining to Enel SpA);
- > €1,091.3 million maturing in April 2016 (of which €704.6 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 extinguished ahead of time in April (€500.0 million less than at December 31, 2009).

Among the main financing transactions in 2010, on April 19, 2010, Enel SpA agreed a 5-year revolving credit facility for €10 billion to replace in part the €5 billion revolving credit facility that would have expired in November 2010. The new credit line can be used by Enel and by Enel Finance International SA (with Enel SpA guarantee) and gives the Group a highly flexible instrument for its treasury operations, to be used in managing working capital.

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, 2010		at Dec. 31, 2009	
<b>Bonds:</b>				
- fixed rate	10,487.4	10,996.7	8,582.6	9,093.2
- floating rate	5,684.8	5,607.4	4,728.5	4,696.5
<b>Bank loans:</b>				
- fixed rate	0.3	0.3	0.6	0.6
- floating rate	4,161.6	4,271.8	6,448.4	6,827.3
<b>Loans from Group companies:</b>				
- fixed rate	2,797.2	2,998.1	3,041.4	3,361.7
- floating rate	-	-	7,990.0	8,097.8
<b>Total</b>	<b>23,131.3</b>	<b>23,874.3</b>	<b>30,791.5</b>	<b>32,077.1</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, 2009.

## Long-term loans (excluding current portion)

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Bonds:</b>			
- fixed rate	9,737.8	8,582.3	1,155.5
- floating rate	5,629.1	4,674.4	954.7
<b>Bank loans:</b>			
- fixed rate	0.1	0.4	(0.3)
- floating rate	4,161.6	5,948.4	(1,786.8)
<b>Loans from Group companies:</b>			
- fixed rate	2,797.2	2,941.5	(144.3)
- floating rate	-	7,865.0	(7,865.0)
<b>Total</b>	<b>22,325.8</b>	<b>30,012.0</b>	<b>(7,686.2)</b>

## Current portion of long-term loans

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Bonds:</b>			
- fixed rate	749.5	0.3	749.2
- floating rate	55.8	54.1	1.7
<b>Bank loans:</b>			
- fixed rate	0.2	0.2	-
- 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>805.5</b>	<b>779.5</b>	<b>26.0</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 €35 billion syndicated line of credit (the Credit Agreement 2007), the Credit Agreement 2009 and the €10 million revolving credit line agreed in April 2010. 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 principle 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 €10 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;

- > cross default clauses, under which 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%) 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 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, 2010, reconciled with the net financial debt indicated in the report on operations.

	at Dec. 31, 2010		at Dec. 31, 2009	
		<i>of which with related parties</i>		<i>of which with related parties</i>
Cash and cash equivalents on hand	0.1		0.1	
Bank and post office deposits	2,116.9		995.1	
<b>Liquidity</b>	<b>2,117.0</b>		<b>995.2</b>	
<b>Current financial receivables</b>	<b>9,208.6</b>	<b>8,545.5</b>	<b>19,895.3</b>	<b>19,001.8</b>
Short-term bank debt	(40.0)		(790.3)	
Short-term portion of long-term debt	(805.5)		(779.5)	(224.9)
Other short-term financial payables	(1,802.1)	(1,496.1)	(1,619.4)	(1,619.4)
<b>Current financial payables</b>	<b>(2,647.6)</b>		<b>(3,189.2)</b>	
<b>Net short-term financial position</b>	<b>8,678.0</b>		<b>17,701.3</b>	
Long-term bank debt	(4,161.7)		(5,948.8)	
Bonds issued	(15,366.9)		(13,256.8)	
Other long-term debt	(2,797.2)	(2,797.2)	(10,806.4)	(10,806.4)
<b>Non-current financial payables</b>	<b>(22,325.8)</b>		<b>(30,012.0)</b>	
<b>Long-term financial position</b>	<b>(22,325.8)</b>		<b>(30,012.0)</b>	
<b>NET FINANCIAL POSITION PURSUANT TO CONSOB INSTRUCTIONS</b>	<b>(13,647.8)</b>		<b>(12,310.7)</b>	
Long-term financial receivables	333.7	181.0	346.4	198.0
<b>NET FINANCIAL DEBT</b>	<b>(13,314.1)</b>		<b>(11,964.3)</b>	

## 25. Post-employment and other employee benefits - €363.1 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 (€317.2 million) as well as

post-employment benefits under defined-benefit plans (€45.9 million).

These obligations, 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, 2010 and December 31, 2009:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009
<b>Benefits due on termination of employment and other long-term benefits</b>		
Actuarial liability at the beginning of the year	328.1	329.9
Service cost	4.7	0.5
Interest cost	13.4	15.1
Benefits paid	(31.1)	(31.9)
Other changes	(0.6)	(0.4)
Unrecognized actuarial (gains)/losses in year	(1.6)	15.0
Actuarial liability at the end of the year	312.9	328.1
<b>Liability recognized at the end of the year</b>	<b>317.2</b>	<b>331.0</b>
<b>Post-employment benefits under defined-benefit plans</b>		
Actuarial liability at the beginning of the year	44.8	51.7
Service cost	0.4	0.5
Interest cost	1.9	2.2
Benefits paid	(3.5)	(3.4)
Other changes	1.7	(0.1)
Unrecognized actuarial (gains)/losses in year	1.0	(6.1)
Actuarial liability at the end of the year	46.4	44.8
<b>Liability recognized at the end of the year</b>	<b>45.9</b>	<b>45.4</b>
<b>Reconciliation with carrying amount</b>		
Actuarial liability at the end of the year	359.3	372.9
Cumulative unrecognized actuarial (gains)/losses	(3.8)	(3.5)
<b>Liability recognized at the end of the year</b>	<b>363.1</b>	<b>376.4</b>

The service cost of employee benefits in 2010 amounted to €5.1 million (€1.0 million in 2009) recognized under personnel expenses, while the accretion cost recognized under interest expense amounted to €15.3 million (€17.3 million in 2009).

The actuarial gain recognized for the year, equal to €0.2 million, decreased by €4.3 million on the previous year (€4.5 million in 2009, with the change associated with the modification of the method used to measure the liability for healthcare benefits at January 1, 2009).

The main actuarial assumptions used to calculate the liabilities arising from employee benefits are set out below:

	2010	2009
Discount rate	4.30%	4.30%
Rate of wage increases	2.00%	3.00%
Rate of increase in healthcare costs	3.00%	3.00%

If, at December 31, 2010, 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 €4.7 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, 2010, 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 €4.0 million lower, with a positive impact on the income statement in terms of service cost and interest cost of €0.3 million.



## 26. Provisions for risks and charges - €33.1 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				Total	
		Accruals	Reversals	Utilization		
	at Dec. 31, 2009					at Dec. 31, 2010
						of which current portion
Provision for litigation, risks and other charges:						
- litigation	25.9	10.3	(3.0)	(4.0)	29.2	27.0
- other	1.6	-	-	-	1.6	1.6
<b>Total</b>	<b>27.5</b>	<b>10.3</b>	<b>(3.0)</b>	<b>(4.0)</b>	<b>30.8</b>	<b>28.6</b>
Provision for early-retirement incentives	2.1	1.3	-	(1.1)	2.3	2.3
<b>TOTAL</b>	<b>29.6</b>	<b>11.6</b>	<b>(3.0)</b>	<b>(5.1)</b>	<b>33.1</b>	<b>30.9</b>

In particular:

- > the increase in the litigation provision (€3.3 million), which essentially reflects accruals and reversals 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, partly offset by uses in respect of the settlement of a number of disputes;
- > the increase in the provision for early retirement incentives (€0.2 million) in connection with the estimated charges relating to the offers for the voluntary termination of employment in response to organizational needs.

## 27. Non-current financial liabilities - €1,999.0 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 amount		Fair value <sup>(1)</sup>		
	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
Cash flow hedge derivatives:					
- interest rates	4,440.0	5,140.0	281.8	318.6	(36.8)
- exchange rates	1,382.1	1,341.3	735.0	690.9	44.1
<b>Total</b>	<b>5,822.1</b>	<b>6,481.3</b>	<b>1,016.8</b>	<b>1,009.5</b>	<b>7.3</b>
Trading derivatives:					
- interest rates	6,342.3	5,785.5	311.5	293.0	18.5
- exchange rates	8,895.2	8,603.7	670.7	649.2	21.5
<b>Total</b>	<b>15,237.5</b>	<b>14,389.2</b>	<b>982.2</b>	<b>942.2</b>	<b>40.0</b>
<b>TOTAL</b>	<b>21,059.6</b>	<b>20,870.5</b>	<b>1,999.0</b>	<b>1,951.7</b>	<b>47.3</b>

(1) "Level 2" fair value.

The notional amount of non-current derivatives at December 31, 2010 was €21,059.6 million, while the corresponding fair value was €1,999.0 million, for increases of €189.1 million and €47.3 million, respectively.

Within the overall item, a part of the cash flow hedge derivatives (with a notional of €700.0 million) were reclassi-

fied to trading derivatives. They regarded derivatives used to hedge the interest rate risk on the original €35 billion syndicated credit line contracted by Enel SpA in 2007, which was overhedged following the early repayment made in 2010.

## 28. Other non-current liabilities - €40.5 million

"Other non-current liabilities" amounted to €40.5 million (€41.5 at December 31, 2009). They regard the debt towards Group companies 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

## 29. Short-term loans - €1,842.1 million

"Short-term loans" break down as follows:

Millions of euro	Carrying amount		
	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
Due to third parties	346.0	790.3	(444.3)
Due to Group companies	1,496.1	1,619.4	(123.3)
<b>Total</b>	<b>1,842.1</b>	<b>2,409.7</b>	<b>(567.6)</b>

Amounts due to third parties (€346.0 million) show a reduction of €444.3 million, mainly due to a decline in use of credit line, partially offset by cash collateral received from counterparties for transactions in OTC derivatives on interest rates and exchange rates.

Amounts due to Group companies (€1,496.1 million) decreased by €123.3 million, due to the repayment of the credit lines from Enel Finance International (€536.0 million), partly offset by the increase in the debtor position on the intercompany current account held with subsidiaries (€412.7 million).

## 30. Trade payables - €350.0 million

"Trade payables" are mostly made up of payables for electricity purchases and payables for sundry services for activities conducted in 2010. They include payables due to

third parties of €264.4 million (€263.4 million at December 31, 2009) and payables due to Group companies of €85.6 million (€57.4 million at December 31, 2009).

Trade payables due to subsidiaries at December 31, 2010 break down as follows:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Subsidiaries:</b>			
- Enel Produzione SpA	0.7	1.7	(1.0)
- Enel Distribuzione SpA	19.7	6.8	12.9
- Enel Ingegneria e Innovazione SpA	6.4	3.0	3.4
- Enel Servizio Elettrico SpA	1.5	1.0	0.5
- Enel Trade SpA	15.8	8.1	7.7
- Enel Green Power SpA	1.2	-	1.2
- Enel Servizi Srl	30.0	29.2	0.8
- Enel.Factor SpA	5.9	2.9	3.0
- Enelpower SpA	2.3	2.3	-
- Sfera Srl	-	1.8	(1.8)
- Other	2.1	0.6	1.5
<b>Total</b>	<b>85.6</b>	<b>57.4</b>	<b>28.2</b>

Trade payables break down by geographical area as follows:

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Suppliers:</b>			
- Italy	270.8	225.5	45.3
- EU	25.1	9.7	15.4
- Non-EU	53.0	85.6	(32.6)
- Other	1.1	-	1.1
<b>Total</b>	<b>350.0</b>	<b>320.8</b>	<b>29.2</b>

## 31. Current financial liabilities - €788.7 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, 2010	at Dec. 31, 2009	2010-2009
Deferred financial liabilities	437.4	360.5	76.9
Derivative contracts	269.6	116.9	152.7
Other items	81.7	47.0	34.7
<b>Total</b>	<b>788.7</b>	<b>524.4</b>	<b>264.3</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 amount and the fair value by type of contract.

Millions of euro	Notional amount		Fair value <sup>(1)</sup>		
	at Dec. 31, 2010	at Dec. 31, 2009	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Cash flow hedge derivatives:</b>					
- interest rates	-	125.0	-	1.9	(1.9)
<b>Total</b>	<b>-</b>	<b>125.0</b>	<b>-</b>	<b>1.9</b>	<b>(1.9)</b>
<b>Trading derivatives:</b>					
- interest rates	100.0	100.0	25.1	17.7	7.4
- exchange rates	5,127.2	3,260.8	155.2	95.6	59.6
- commodities	-	17.0	-	1.7	(1.7)
- other	56.5	-	89.3	-	89.3
<b>Total</b>	<b>5,283.7</b>	<b>3,377.8</b>	<b>269.6</b>	<b>115.0</b>	<b>154.6</b>
<b>TOTAL</b>	<b>5,283.7</b>	<b>3,502.8</b>	<b>269.6</b>	<b>116.9</b>	<b>152.7</b>

(1) "Level 2" fair value.

Current derivatives have a notional amount of €5,283.7 million and a corresponding fair value of €269.6 million. The increase in the notional amount and the fair value, equal to €1,780.9 million and €152.7 million respectively,

is essentially attributable to normal operations and the measurement of the fair value of the bonus shares granted to retail investors in the global public offering of Enel Green Power shares.

## 32. Other current liabilities - €582.4 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, 2010	at Dec. 31, 2009	2010-2009
Tax payables	213.2	306.4	(93.2)
Payables due to Group companies	331.9	260.6	71.3
Payables due to employees, recreational/assistance associations	21.0	19.3	1.7
Social security contributions payable	8.2	7.7	0.5
Payables due to customers for security deposits and reimbursements	1.2	2.0	(0.8)
Other	6.9	17.0	(10.1)
<b>Total</b>	<b>582.4</b>	<b>613.0</b>	<b>(30.6)</b>

The decrease in "Tax payables" of €93.2 million is essentially attributable to the fall in the liability for Ires for companies participating in the consolidated tax mechanism (€163.1 million), partially offset by the increase in the Group VAT liability to be paid (€69.8 million).

The increase in "Payables due to Group companies" of €71.3 million is essentially ascribable to the increase in the payable due to companies participating in the national consolidated tax mechanism (€192.9 million), partly offset by lower payables due to companies participating in the Group VAT mechanism (€122.7 million).

## 33. 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 Electricity 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.

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties undertaken by Enel SpA either directly or indirectly through its subsidiaries. The procedure (which can be found at [http://www.enel.com/it-IT/group/governance/principles/related\\_parts/](http://www.enel.com/it-IT/group/governance/principles/related_parts/)) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing rules established by CONSOB. It replaces, with effect from January 1, 2011, the rules governing transactions with related parties approved by the Board of Directors of Enel SpA on December 19, 2006 in implementation of the recommendations of the Corporate Governance Code for listed companies, the provisions of which were in effect until December 31, 2010.

The following tables summarize commercial, financial and other relationships between the Company and related parties.

# Commercial and other relationships

2010

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
	at Dec. 31, 2010		2010		2010	
<b>Subsidiaries:</b>						
- Enel Green Power Romania Srl <sup>(1)</sup>	0.2	-	-	-	-	-
- Carboex SA	0.1	-	-	-	-	0.1
- Concert Srl	0.1	-	-	-	-	-
- Distribuidora Eléctrica del Puerto de la Cruz SA	0.1	-	-	-	-	0.1
- Deval SpA	0.3	-	-	-	-	0.4
- Endesa Distribución Eléctrica SL	24.9	-	-	-	-	24.9
- Empresa Carbonífera del Sur SA	0.1	-	-	-	-	0.2
- Endesa SA	33.5	-	-	-	-	(2.8)
- Endesa Ingeniería SLU	0.2	-	-	-	-	0.2
- Endesa Ireland Ltd	0.6	-	-	-	-	0.6
- Enel Capital Srl	-	-	-	-	-	0.2
- Enel Distributie Banat SA	2.2	-	-	-	-	0.8
- Enel Distributie Dobrogea SA	1.4	-	-	-	-	0.6
- Enel Distributie Muntenia SA	1.3	-	-	-	-	0.4
- Enel Distribuzione SpA	228.0	49.7	-	12.9	-	84.6
- Enel Energia SpA	84.0	15.7	-	-	-	32.7
- Enel Energie Muntenia SA	0.2	-	-	-	-	-
- Enel Energie SA	0.3	-	-	-	-	0.5
- Enel Energy Europe SL	3.7	0.5	-	-	-	0.2
- Enel Green Power France Sas <sup>(2)</sup>	0.2	-	-	-	-	0.1
- Enel France Sas	1.2	-	-	-	-	1.2
- Enel Green Power International BV	1.2	-	-	-	-	-
- Enel Green Power SpA	58.7	24.8	-	1.2	-	21.3
- Enel Ingegneria e Innovazione SpA	12.9	7.4	-	4.6	-	3.5
- Enel Investment Holding BV	1.5	-	-	-	-	-
- Enel M@p Srl	-	0.7	-	-	-	-
- Enel Maritza East 3 AD	3.4	0.1	-	-	-	1.5
- Enel North America Inc.	0.7	1.7	-	1.5	-	(2.3)
- Enel OGC-5 OJSC	7.4	-	-	-	-	5.8
- Enel Produzione SpA	231.5	153.0	-	0.4	1.8	71.6
- Enel Romania Srl	5.8	-	-	-	-	2.3
- Enel Rus LLC	-	0.2	-	0.1	-	-
- Enel Service UK Ltd	-	-	-	(0.1)	-	-
- Enel Servicii Comune SA	2.8	-	-	-	-	1.0
- Enel Servizi Srl	30.7	53.3	-	55.8	-	8.8
- Enel Servizio Elettrico SpA	56.2	29.8	-	0.3	-	9.4
- Enel Sole Srl	6.1	0.2	-	-	-	2.8
- Enel Trade SpA	16.4	109.2	7.6	8.3	-	4.8
- Enel Finance International NV <sup>(3)</sup>	-	-	-	-	-	0.1

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
			at Dec. 31, 2010		2010	
Subsidiaries:						
- Enel Unión Fenosa Renovables SA	1.9	-	-	-	-	-
- Enel.Factor SpA	0.1	6.3	-	-	-	0.2
- Enel.NewHydro Srl	0.1	0.1	-	-	-	-
- Enel.si Srl	11.2	0.9	-	-	-	3.8
- Enelco SA	1.8	-	-	-	-	0.4
- Enelpower SpA	1.5	4.2	-	-	-	-
-Endesa Energía SA	7.9	-	-	-	-	7.9
- Endesa Energía XXI SL	0.7	-	-	-	-	0.7
- Endesa Operaciones y Servicios Comerciales SL	0.5	-	-	-	-	0.5
- Endesa Generación SA	7.9	-	-	-	-	7.9
- Gas y Electricidad Generación SAU	2.8	-	-	-	-	2.8
- Unión Eléctrica de Canarias Generación SAU	4.5	-	-	-	-	4.5
- Marcinelle Energie SA	0.4	-	-	-	-	0.2
- Maritza East III Power Holding BV	0.1	-	-	-	-	-
- Nuove Energie Srl	0.3	-	-	-	-	0.3
- Endesa Red SA	0.2	-	-	-	-	0.2
- RusEnergoSbyt LLC	0.1	-	-	-	-	0.1
- Endesa Servicios SL	0.4	-	-	-	-	0.4
- Slovenské elektrárne AS	22.0	0.2	-	-	-	10.3
- Sviluppo Nucleare Italia Srl	5.3	-	-	-	-	6.9
- Vallenergie SpA	0.1	-	-	-	-	0.1
- Wind Parks of Grammatikaki SA	0.3	-	-	-	-	-
- Enel Latin America	3.8	-	-	-	-	0.1
Total	891.8	458.0	7.6	85.0	1.8	322.9
Other related parties:						
- Acquirente Unico	67.2	-	-	-	346.5	-
- Booz & Company Italia	-	0.1	-	-	-	-
- GME	-	4.8	17.3	13.8	2.3	-
- GSE	0.9	0.7	-	(24.2)	-	-
- Poste Italiane	0.1	-	-	-	-	-
- Sipra	-	5.4	-	9.9	-	-
- Sogin	-	-	-	0.5	-	-
- Terna	0.2	0.1	-	-	0.2	-
Total	68.4	11.1	17.3	-	349.0	-
TOTAL	960.2	469.1	24.9	85.0	350.8	322.9

(1) Formerly Blu Line Impex Srl.

(2) Formerly Enel Erelis Sas.

(3) Formerly Enel Trading Rus NV.



Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
	at Dec. 31, 2009		2009		2009	
<b>Subsidiaries:</b>						
- 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>(1)</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>(2)</sup>	-	-	-	-	-	2.4
- Enel Romania Srl	3.5	-	-	-	-	2.2
- 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 Unión 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

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
			at Dec. 31, 2009		2009	
<b>Subsidiaries:</b>						
- Maritza East III Power Holding BV	0.1	-	-	-	-	-
- Nuove Energie Srl	0.1	-	-	-	-	0.3
- SeverEnergia <sup>(3)</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>						
- Acquirente Unico	52.7	-	-	-	328.0	-
- GME	0.3	3.7	12.4	16.2	1.1	-
- GSE	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) Formerly Electrica Muntenia Sud SA.

(2) Until disposal on September 30, 2009.

(3) Until disposal on September 23, 2009.

# Financial relationships

2010

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
	at Dec. 31, 2010			2010		
Subsidiaries:						
- Concert Srl	0.9	-	0.3	-	-	-
- Deval SpA	11.1	-	-	-	0.2	-
- Elcogas SA	1.3	-	-	-	-	-
- Enel Distribuzione SpA	1,220.0	0.1	3,220.6	0.1	92.8	1,996.8
- Enel Energia SpA	673.1	-	1,349.8	-	15.4	-
- Enel Energy Europe SL	716.1	-	-	-	19.7	-
- Enel Green Power France Sas <sup>(1)</sup>	-	-	0.2	-	-	-
- Enel Finance International NV <sup>(2)</sup>	401.6	2,902.5	21,214.4	886.2	82.7	-
- Enel Green Power Bulgaria EAD	0.1	-	-	-	0.1	-
- Enel Green Power Holding Sarl	-	-	-	0.1	-	-
- Enel Green Power International BV	-	0.1	-	-	-	-
- Enel Green Power Romania SpA	-	-	0.1	-	-	-
- Enel Green Power SpA	892.8	0.9	977.5	4.5	38.8	-
- Enel Ingegneria e Innovazione SpA	0.6	101.2	235.2	0.8	0.7	1.7
- Enel Investment Holding BV	833.9	310.5	334.2	21.7	37.4	-
- Enel Ireland Finance Ltd	-	-	-	0.5	-	-
- Enel Latin America BV	-	-	4.4	-	-	-
- Enel Longanesi Developments Srl	13.8	-	-	-	0.3	-
- Enel M@p Srl	5.1	-	10.0	-	0.1	-
- Enel North America Inc.	0.1	-	57.1	0.3	0.2	-
- Enel Produzione SpA	3,677.9	42.7	2,255.7	187.5	150.2	1,036.8
- Enel Servizi Srl	101.9	109.8	18.9	0.3	6.9	4.2
- Enel Servizio Elettrico SpA	4.9	1,213.6	1,593.0	3.9	5.0	-
- Enel Sole Srl	86.8	-	91.0	-	2.0	18.5
- Enel Stoccaggi Srl	-	1.2	-	-	-	-
- Enel Trade Hungary Kft	-	0.4	11.4	0.1	0.1	-
- Enel Trade Romania Srl	1.1	0.1	9.6	0.1	0.2	-
- Enel Trade SpA	455.4	44.2	947.3	150.8	198.2	286.7
- Enel.Factor SpA	292.5	-	-	-	2.7	3.5
- Enel.NewHydro Srl	29.0	-	6.0	-	0.4	-
- Enel.Re Ltd	-	9.7	-	0.1	-	-
- Enel.si Srl	2.9	0.2	9.6	1.9	16.4	-
- Enelpower SpA	-	48.9	8.3	1.5	1.4	-
- Enelpower UK Ltd	0.1	-	-	-	-	-
- Hydro Dolomiti Enel Srl	61.9	-	-	-	1.5	-
- Maritza East III Power Holding BV	-	0.1	-	-	-	-
- Nuove Energie Srl	20.6	-	85.1	-	0.4	-
- Enel Green Power Portoscuso Srl <sup>(3)</sup>	0.4	-	-	-	-	-
- Pragma Energy SA	-	4.9	-	-	-	-
- Se Hydropower Srl	-	11.7	-	-	-	-
- Vallenergie SpA	24.7	-	10.9	-	0.6	-
Total	9,530.6	4,802.8	32,450.6	1,260.4	674.4	3,348.2
Other related parties:						
- Emittenti Titoli SpA	-	-	-	-	-	0.1
- Terna	-	-	-	-	-	20.5
Total	-	-	-	-	-	20.6
TOTAL	9,530.6	4,802.8	32,450.6	1,260.4	674.4	3,368.8

(1) Formerly Enel Erelis Sas.

(2) Formerly Enel Trading Rus NV.

(3) Formerly Portoscuso Energia Srl.

## 2009

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	210.6	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	-	-	-	-
- 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	-	-	-	-
- Enel Latin America BV	-	-	-	0.4	-	-
- Vallenergie SpA	22.4	-	5.5	-	0.4	-
Total	20,580.3	12,770.9	29,366.9	823.8	2,007.9	4,464.4
Other related parties:						
- Emittenti Titoli SpA	-	-	-	-	-	0.1
- Terna	-	-	-	-	-	17.3
Total	-	-	-	-	-	17.4
TOTAL	20,580.3	12,770.9	29,366.9	823.8	2,007.9	4,481.8

(1) Formerly Enel Green Power International SA.

(2) Until disposal on September 30, 2009.

## Impact on balance sheet

## Impact on income statement

## Impact on cash flows

Financial statements

# 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
Directors and General Manager				
Gnudi	Piero	Chairman	1/2010-12/2010	Approv. fin. stat. 2010
Conti	Fulvio	CEO and GM	1/2010-12/2010	Approv. fin. stat. 2010
Ballio	Giulio	Director	1/2010-12/2010	Approv. fin. stat. 2010
Codogno	Lorenzo	Director	1/2010-12/2010	Approv. fin. stat. 2010
Costi	Renzo	Director	1/2010-12/2010	Approv. fin. stat. 2010
Fantozzi	Augusto	Director	1/2010-12/2010	Approv. fin. stat. 2010
Luciano	Alessandro	Director	1/2010-12/2010	Approv. fin. stat. 2010
Napolitano	Fernando	Director	1/2010-12/2010	Approv. fin. stat. 2010
Tosi	Gianfranco	Director	1/2010-12/2010	Approv. fin. stat. 2010
			Total compensation of Directors and GM	
Board of Auditors - term ended				
Fontana	Franco	Chair. Board of Auditors	1/2010-4/2010	Approv. fin. stat. 2009
Board of Auditors - in service				
Duca	Sergio	Chair. Board of Auditors	4/2010-12/2010	Approv. fin. stat. 2012
Conte	Carlo	Standing Auditor	1/2010-12/2010	Approv. fin. stat. 2012
Mariconda	Gennaro	Standing Auditor	1/2010-12/2010	Approv. fin. stat. 2012
			Total compensation of Board of Auditors	
		Managers with strategic responsibilities <sup>(14)</sup>	1/2010-12/2010	
TOTAL				

(1) Insurance policy.

(2) Of which (i) €420,000.00 in respect of the variable portion of compensation for 2009, approved and disbursed in 2010, and (ii) €560,000.00 in respect of the variable portion of compensation for 2010 approved and disbursed in 2011.

(3) Of which (i) €780,000.00 in respect of the variable portion of compensation for 2009, approved and disbursed in 2010, and (ii) €900,000.00 in respect of the variable portion of compensation for 2010 approved and disbursed in 2011.

(4) The amount breaks as follows: i) a fixed portion of compensation of €701,678.51 for the position of General Manager for 2010; ii) €910,000.00 in respect of the variable portion of compensation for the position of General Manager for 2009, approved and disbursed in 2010; (iii) €1,050,000.00 in respect of the variable portion of compensation for the position of General Manager for 2010, approved and disbursed in 2011.

(5) Of which (i) €85,000.00 as a member of the Board of Directors, as approved by the Shareholders' Meeting of June 11, 2008 and (ii) €31,000.00 as a member of the Compensation Committee, as approved by the Board of Directors on June 18, 2008.

(6) Of which (i) €85,000.00 as a member of the Board of Directors, as approved by the Shareholders' Meeting of June 11, 2008 and (ii) €33,000.00 as a member of the Internal Control Committee, as approved by the Board of Directors on June 18, 2008.

(7) 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.

(8) Of which (i) €85,000.00 as a member of the Board of Directors, as approved by the Shareholders' Meeting of June 11, 2008 and (ii) €33,250.00 as a member of the Internal Control Committee, as approved by the Board of Directors on June 18, 2008.

(9) Of which (i) €85,000.00 as a member of the Board of Directors, as approved by the Shareholders' Meeting of June 11, 2008 and (ii) €36,000.00 as coordinator of the Compensation Committee, as approved by the Board of Directors on June 18, 2008.



Remuneration (euro)	Non-monetary benefits (euro)	Bonuses and other incentives (euro)	Other compensation (euro)	Total (euro)
700,000.00	15,211.38 <sup>(1)</sup>	980,000.00 <sup>(2) (*)</sup>		1,695,211.38
600,000.00		1,680,000.00 <sup>(3) (*)</sup>	2,661,678.51 <sup>(4) (*)</sup>	4,941,678.51
116,000.00 <sup>(5)</sup>				116,000.00
118,000.00 <sup>(6) (7)</sup>				118,000.00
118,250.00 <sup>(8)</sup>				118,250.00
121,000.00 <sup>(9)</sup>				121,000.00
118,000.00 <sup>(10)</sup>				118,000.00
115,500.00 <sup>(11)</sup>				115,500.00
123,250.00 <sup>(12)</sup>				123,250.00
<b>2,130,000.00</b>	<b>15,211.38</b>	<b>2,660,000.00</b>	<b>2,661,678.51</b>	<b>7,466,889.89</b>
25,000.00				25,000.00
56,902.78				56,902.78
71,694.44 <sup>(13)</sup>				71,694.44
71,694.44				71,694.44
225,291.66	-	-	-	225,291.66
			12,811,890.45	12,811,890.45
<b>2,355,291.66</b>	<b>15,211.38</b>	<b>2,660,000.00</b>	<b>15,473,568.96</b>	<b>20,504,072.00</b>

(10) Of which (i) €85,000.00 as a member of the Board of Directors, as approved by the Shareholders' Meeting of June 11, 2008 and (ii) €33,000.00 as a member of the Internal Control Committee, as approved by the Board of Directors on June 18, 2008.

(11) Of which (i) €85,000.00 as a member of the Board of Directors, as approved by the Shareholders' Meeting of June 11, 2008 and (ii) €30,500.00 as a member of the Compensation Committee, as approved by the Board of Directors on June 18, 2008.

(12) Of which (i) €85,000.00 as a member of the Board of Directors, as approved by the Shareholders' Meeting of June 11, 2008 and (ii) €38,250.00 as coordinator of the Internal Control Committee, as approved by the Board of Directors on June 18, 2008.

(13) Compensation paid entirely 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.

(14) In 2010, 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 2010 comprise (i) quantitative targets, including achievement of the consolidated EBITDA set in the budget (weighting: 25%), reducing consolidated financial debt (20%), the satisfaction of customers who signed up plans offered by the subsidiary Enel Energia SpA (10%), the margin of the generation area (20%) and workplace safety (10%) as well as (ii) qualitative objectives concerning the effectiveness of the communication and information plan on Enel's nuclear power skills and an overall assessment of the findings of the "climate" survey within the Group (overall weight: 15%).

## 34. 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 2010.

### 2008 stock option plan

The 2008 plan provides for the grant of personal, non-transferable inter vivos options to subscribe a corresponding number of newly issued ordinary Enel shares to senior managers selected by the Board of Directors. The main features of the 2008 plan are discussed below.

#### Beneficiaries

The beneficiaries of the plan – who include the CEO of Enel in his capacity as General Manager – 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 but has 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.

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 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.

The vesting of the options is subject to achievement of 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, also determined on the basis of the amounts specified in the budgets for those years. Depending on the degree to which the 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 of Directors 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. The options can be exercised 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 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. 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. Subscription of the shares is charged entirely to the beneficiaries, as the plan does not provide for any facilitated terms to be granted in this respect.

## Shares serving the plan

In June 2008, the Extraordinary Shareholders' Meeting granted the Board of Directors a five-year authorization to carry out a paid capital increase in the maximum amount of €9,623,735.

The following table reports developments in the 2008 stock option plan:

Total options granted	Number of beneficiaries	Strike price	Verification of plan conditions	Options lapsed at Dec. 31, 2009	Options lapsed in 2010
8,019,779 <sup>(1)</sup>	16 Group executives	€8.075 <sup>(2)</sup>	Rights vested	None	None

(1) Following the review conducted by the Enel Board of Directors on the occasion of the approval of the Enel Group's consolidated financial statements for 2010 to determine the degree to which the two operational targets (EPS and ROACE) had been achieved, a total of 9,623,735 options have vested.

(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.

## 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 op-

## Developments in the 2008 stock option plan

The Board of Directors has determined that in the 2008-2010 period both EPS and ROACE exceeded the levels set out in the budgets for those years, thereby enabling the options to vest in an amount equal to 120% of those originally granted to the beneficiaries, in application of the performance scale established by the Enel Board of Directors.

tions 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, 2010 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%.

The following table summarizes developments over the course of 2008, 2009 and 2010 in the Enel stock option plans, detailing the main assumptions used in calculating their fair value.

## Developments in stock option plans

Number of options	2004 plan	2007 plan	2008 plan	Total
Options granted at December 31, 2008	38,527,550	27,920,000	8,019,779 <sup>(1)</sup>	<b>74,467,329</b>
Options exercised at December 31, 2008	26,437,815	-	-	<b>26,437,815</b>
Options lapsed at December 31, 2008	2,112,800	760,166	-	<b>2,872,966</b>
Options outstanding at December 31, 2008	9,976,935	27,159,834	8,019,779 <sup>(1)</sup>	<b>45,156,548</b>
Options lapsed in 2009	9,976,935	27,159,834	-	<b>37,136,769</b>
Options outstanding at December 31, 2009	-	-	8,019,779 <sup>(1)</sup>	<b>8,019,779</b>
Options outstanding at December 31, 2010	-	-	8,019,779 <sup>(2)</sup>	<b>8,019,779</b>
Fair value at grant date (euro)	0.18	0.29	0.17	-
Volatility	17%	13%	21%	-
Option expiry	Dec. 2009	Dec. 2013	Dec. 2014	-

(1) If the degree of achievement of the two operational objectives (EPS and ROACE) set for the 2008 plan should reach the highest level of the performance scale, a maximum of 9,623,735 options would vest.

(2) Following the review conducted by the Enel Board of Directors on the occasion of the approval of the Enel Group's consolidated financial statements for 2010 to determine the degree to which the two operational targets (EPS and ROACE) set for the 2008 plan had been achieved, a total of 9,623,735 options have vested (120% of the 8,019,779 options originally granted).

## 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.

		Options held at the start of 2010	Average exercise price (euro)	Average expiry	Options granted in 2010 <sup>(3)</sup>	Options exercised in 2010 <sup>(3)</sup>	Options lapsed in 2010	Options held at the end of 2010	Average exercise price (euro)	Average expiry
Name	Position	Number of options			Number of options	Number of options	Number of options	Number of options		
Fulvio Conti	General Manager of Enel SpA	1,322,772 <sup>(1)</sup>	7.118	2014	-	-	-	1,587,326 <sup>(2)</sup>	7.118	2014
	Managers with strategic responsibilities <sup>(3)</sup>	6,697,007 <sup>(4)</sup>	7.118	2014	-	-	-	8,036,409 <sup>(5)</sup>	7.118	2014

(1) If the degree of achievement of the two operational objectives (EPS and ROACE) set for the 2008 plan should reach the highest level of the performance scale, a maximum of 1,587,326 options would vest.

(2) Following the review conducted by the Enel Board of Directors on the occasion of the approval of the Enel Group's consolidated financial statements for 2010 to determine the degree to which the two operational targets (EPS and ROACE) set for the 2008 plan had been achieved, a total of 1,587,326 options have vested (120% of the 1,322,772 options originally granted).

(3) In 2010, managers with strategic responsibilities included heads of Enel SpA Departments and Division heads, for a total of 17 management positions.

(4) If the degree of achievement of the two operational objectives (EPS and ROACE) set for the 2008 plan should reach the highest level of the performance scale, a maximum of 8,036,409 options would vest.

(5) Following the review conducted by the Enel Board of Directors on the occasion of the approval of the Enel Group's consolidated financial statements for 2010 to determine the degree to which the two operational targets (EPS and ROACE) set for the 2008 plan had been achieved, a total of 8,036,409 options have vested (120% of the 6,697,007 options originally granted).

## 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 2008 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:

- > 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
- > 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 and on the condition that the first 50% of the basic unit grant has not yet been exercised.

## 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 found the following.

For the first 50% of the basic units granted, in 2008-2009 the hurdle target for Group EBITDA had been achieved and Enel shares had slightly outperformed the benchmark index, meaning that according to the performance scale 100% of the units originally granted had vested.

For the remaining 50% of the basic grant awarded, in 2008-2010 the hurdle target for Group EBITDA had been achieved and Enel shares significantly outperformed the benchmark index, meaning that according to the performance scale an amount equal to 120% of the units originally granted had vested.

In view of the fact that the level of achievement of the performance targets over the 2008-2010 period was higher than that achieved in 2008-2009, it is therefore possible to recovery the units that did not vest in 2008-2009 as a result of the lower level of achievement of the performance targets for beneficiaries who had not yet exercised the first 50% of the basic units granted.

The following table reports developments in the 2008 restricted share units plan.

Number of RSU	2008 plan
RSU outstanding at December 31, 2008 (equal to 100% of the base number of RSU)	1,766,675
RSU lapsed in 2009	11,350
RSU outstanding at December 31, 2009	1,755,325
<i>of which vested at December 31, 2009</i>	<i>887,662</i>
RSU lapsed in 2010	9,648
RSU exercised in 2010	472,588
New RSU granted and vested under the "recovery clause" (applicable to first 50% of base number of RSU)	77,950
New RSU granted and vested in respect of the remaining 50% of the base number of RSU	176,667
RSU outstanding at December 31, 2010	1,527,706
<i>of which vested at December 31, 2010</i>	<i>1,527,706</i>
Fair value at the grant date (euro)	3.16
Fair value at December 31, 2010 (euro)	4.47
Expiry of the restricted share units	December 2014

## 35. Contractual commitments and guarantees

Millions of euro

	at Dec. 31, 2010	at Dec. 31, 2009	2010-2009
<b>Sureties and other guarantees granted to:</b>			
- third parties	622.0	672.6	(50.6)
- subsidiaries	32,450.6	29,366.9	3,083.7
- associates and others	12.4	12.4	-
<b>Total</b>	<b>33,085.0</b>	<b>30,051.9</b>	<b>3,033.1</b>
Other commitments for electricity purchases from third parties	343.9	607.3	(263.4)
<b>TOTAL</b>	<b>33,428.9</b>	<b>30,659.2</b>	<b>2,769.7</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:

- > €596 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 both guarantees is reduced annually by a specified amount;
- > €15 million in guarantees of obligations assumed in the sale of Enel.Hydro;
- > €10 million in guarantees to Terna for electricity ancillary

services pursuant to Resolution no. 111/06;

- > 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;
- > €6,000 million issued on behalf of Enel Finance International securing an euro commercial paper program;
- > €2,692 million issued on behalf of Enel Finance International securing the credit facility agreement program;
- > €2,310 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;
- > €1,365 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;
  - > €793 million issued to the tax authorities in respect of participation in the Group VAT procedure on behalf of Enel New.Hydro, Enel Produzione, Enel Servizi (formerly Cise), Enelpower, Enel Servizio Elettrico and Nuove Energie;
  - > €400 million for letters of patronage issued in favor of Crédit Agricole Corporate for the "assignment *en bloc* of receivables" on behalf of Enel Energia;
  - > €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;
  - > €300 million issued in favor of the financial counterparties securing bonds issued by Enel Investment Holding as part of the €25 billion Global Medium-Term Notes program;
  - > €169 million issued in favor of Snam Rete Gas on behalf of Enel Trade for gas transport capacity;
  - > €160 million issued as counter-guarantees in favor of the banks that guaranteed the Energy Markets Operator on behalf of Enel Trade;
  - > €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 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;
  - > €2,892 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.

## 36. Contingent liabilities and assets

### 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 and other 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 120,000 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 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.

As of November 30, 2010, pending cases concerning the blackout of 2003 had fallen to about 70,000 due to Court decisions and/or abandonment of suits by the plaintiffs, and the flow of new claims has come to a halt.

## Developments in the inquiries of the Milan Public Prosecutor's Office and the State Audit Court into former senior managers

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. In January 2008, the investigating magistrate allowed Enel SpA, Enelpower SpA and Enel Produzione SpA to join the case 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 before the Court of Milan. After the start of the trial in January 2010, on April 20, 2010 the judge ruled that the trial could not proceed against the managers for the offences of corruption and embezzlement as the statute of limitations had run out. The trial is continuing against the managers for the offence of criminal conspiracy. Enel, Enelpower and Enel Produzione therefore remain involved in the proceeding as injured parties for that offence.

Following extinguishment of the grounds for seeking damages for pecuniary losses as a result of the Court of Cassation's ruling no. 26806/09 of December 19, 2009 – restricted to substantiated pecuniary losses with State Audit Court ruling no. 532/08 – and the extinguishment of the charges of embezzlement and corruption due to the statute of limitations, two civil suits were filed with the courts of Monza and Udine seeking tortious damages for the losses caused by the actions of Enel former directors and senior managers being pursued through the State Audit Court and the criminal court. In addition, Enel Produzione and Enelpower have undertaken revocatory actions against the former directors and senior managers, voiding certain transfers of assets. Finally, following the enforcement proceedings undertaken against the former directors and managers, more than €450,000 have been recovered. Enelpower is participating as an injured party in the trial of the former directors and senior managers for money laundering in the Swiss courts. In a decision notified on July 2, 2010, the Federal Criminal Court

of Bellinzona ruled that since the injured parties were already seeking the same damages in Italy, they could not seek damages in Switzerland as well. Enel has appealed that decision. Again in Switzerland, Enelpower obtained a precautionary seizure order for amounts deposited on the Swiss current accounts of the defendants in a total amount of about 32 million Swiss francs (about €23 million).

## BEG litigation

With its ruling of October 20, 2010, the Italian Court of Cassation upheld the decision of the Rome Court of Appeal of April 7, 2009, which rejected BEG's appeal of the unfavorable arbitration ruling. The ruling of the Court of Cassation regarded the complaint filed by BEG SpA before the Rome Arbitration Chamber in November 2000 against Enelpower with regard to alleged breach of a collaboration agreement governed by Italian law concerning the construction of a hydroelectric power station in Albania. BEG asked for damages from Enelpower of about €120 million.

The parties are still waiting for the scheduling of a hearing before the Albanian Court of Cassation concerning Enel's appeal against the ruling of the Albanian Court of Appeal, which on April 28, 2010 had upheld the decision of the Court of Tirana awarding Albania BEG Ambient tortious damages of about €25 million for 2004 as well as an unspecified amount of other tortious damages for subsequent years.

In addition, in a summons notified on September 28, 2010, Enelpower and Enel filed suit against BEG SpA with the Court of Rome asking the Court to ascertain the tortious liability of BEG and order the latter to pay damages to Enelpower (contractual and tortious) and to Enel (tortious) in the amount that one or the other could be required to pay to Albania BEG Ambient in the event of the enforcement of the sentence issued by the Albanian courts. The first hearing was held on January 18, 2011 and the judge has reserved judgment on the request advanced by Enel and Enelpower for time to reply to the allegations and objections of the counterparty.

## 37. Subsequent events

### Repayment of Credit Facility

With effect from January 31, 2011, Enel SpA made an additional voluntary early repayment totaling €1,831.0 on the €35 billion syndicated credit line, of which:

- > €887.4 million related to the tranche maturing in 2012;
- > €637.6 million related to the tranche maturing in 2014;
- > €306.0 million related to the tranche maturing in 2016.

### Bond issue for institutional investors

On March 2, 2011, the Board of Directors of Enel SpA, as part of the strategy to extend the average maturity of the Group's consolidated debt and to optimize the profile of its medium and long-term maturities, approved the issue by December 31, 2011 of one or more bonds, to be placed with institutional investors, up to a maximum amount of €1 billion.

The bond issues may be carried out either directly by Enel SpA or by its Dutch subsidiary Enel Finance International NV (guaranteed by the Parent Company) in relation to opportunities offered by the latter for placing bonds on regulated foreign markets and/or in private placements with foreign institutional investors.

The Board of Directors also empowered the CEO to allocate the bond issues between the two above-mentioned companies, as well as setting the amounts, currencies, timing and characteristics of the individual issues, and the power to apply for listing them on one or more regulated markets.

### Acquisition of additional stakes in CESI SpA

On March 11, 2011, Enel SpA acquired E.ON Produzione SpA's entire holding in CESI SpA, equal to 3.9% (134,033 shares). On March 25, 2011, additional holdings in CESI were acquired from Edison, Edipower, Iren Energia and A2A, totaling 9.6% of share capital (328,432 shares). Following the transactions, Enel SpA holds 39.4% of CESI.

## 38. Fees of auditing firm pursuant to Article 149-*duodecies* of the CONSOB "Issuers Regulation"

Fees paid in 2010 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	0.5
	Entities of KPMG network	0.5
Certification services	<i>of which:</i>	
	KPMG SpA	2.9
	Entities of KPMG network	0.1
Other services (*)	<i>of which:</i>	
	KPMG SpA	-
	Entities of KPMG network	1.0
<b>Total</b>		<b>5.0</b>
<b>Subsidiaries of Enel SpA</b>		
Auditing	<i>of which:</i>	
	KPMG SpA	2.8
	Entities of KPMG network	10.1
Certification services	<i>of which:</i>	
	KPMG SpA	0.8
	Entities of KPMG network	0.9
<b>Total</b>		<b>14.6</b>
<b>TOTAL</b>		<b>19.6</b>

(\*) Financial and Enterprise Risk Management services.







# Corporate governance



# Report on corporate governance and ownership structure

## Section I: Governance and ownership structure

### Introduction

During 2010, 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/](http://www.borsaitaliana.it/borsaitaliana/ufficio-stampa/comunicati-stampa/2006/codiceautodisciplina.en_pdf.htm)

[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 2010 (and still as of March 2011), Enel’s share capital amounted to euro 9,403,357,795, divided into the same number of ordinary shares with a par value of euro 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 of America, 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 internal controls over financial reporting required by Section 404 of the Sarbanes-Oxley Act are still applied by certain Latin American companies of the Group which have ADSs listed on the New York Stock Exchange (as better specified in the second section of the document under “Internal control system” - “The system of risk management and internal control of financial information”).



## Major shareholdings and shareholders' agreements

According to the entries in Enel's stock register, the reports made to the CONSOB and received by the Company, and the other available information, as of March 2011 no shareholder – with the exception of the Ministry for the Economy and Finance of the Italian Republic, which owns 31.24% of the share capital, the group controlled by BlackRock Inc., which owns 2.74% of the share capital as asset management, and Natixis SA, which owns 2.07% of the share capital – 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.

With respect to the previous financial year, it should be noted that the Ministry for the Economy and Finance has received from its subsidiary Cassa Depositi e Prestiti SpA 17.36% of the Enel's share capital (thus increasing its direct participation in the Company's share capital from 13.88% to 31.24%) as an effect of the exchange of shareholdings set out by the Decree of the Minister for the Economy and Finance dated November 30, 2010 and completed on December 21, 2010.

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.

## Limit to the ownership of shares and to voting rights

In implementing a provision of the regulations regarding privatizations, the Company's bylaws provides 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 non-compliance, 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

In implementing the provisions of the regulations regarding privatizations, the Company's bylaws assigns to the Italian government (represented for this purpose by the Ministry for the Economy and Finance) several "special powers", which are exercisable regardless of 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 to 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.

Thereafter, Decree of the President of the Council of Ministers dated May 20, 2010 abrogated the provision of the aforesaid Prime Minister’s Decree of June 10, 2004 censured by the Court of Justice of the European Communities, which contained the circumstances in which the special powers provided under letters a), b) and c) could be effectively exercised. Article 1, paragraph 1, of the Prime Minister’s Decree of June 10, 2004, according to which the “special powers” may be exercised *“only in the event of relevant and unavoidable reasons of general interest, with particular reference to public order, security, health and defense, in the form and through means which are suitable and proportional to safeguard such interests, also through the possible provision of appropriate time constraints, without prejudice to national and EU rules, and among those, in first instance, the non-discrimination principle”*, remains applicable.

## 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 and which were significantly amended following the implementation in Italy of Directive 2007/36/EC (relating to the exercise of certain rights of the shareholders of listed companies) by Legislative Decree 27 of January 27, 2010. The foregoing specific rules govern the solicitation of proxies, which is defined as the request for proxies addressed to more than two-hundred shareholders, on specific voting proposals, or accompanied by recommendations, declarations and other indications suitable for the purpose of influencing the vote. However, the Unified Financial Act clarifies that the request for proxies accompanied by recommendations, declarations and other indication suitable for the purpose of influencing the vote, which is addressed by associations of shareholders to their affiliates – including those associations which put together employees who are shareholders – is not to be considered as solicitation of proxies – and, thus, is not subject to the relevant specific discipline – if such associations comply with the specific requirements set forth by the Unified Financial Act.

At the same time, the Unified Financial Act continues to hope for the bylaws of listed companies to contain provisions aimed at simplifying the exercise of voting right through proxy by the employees who are shareholders, thus fostering their participation to the decision of the shareholders’ meetings.

In such respect, since 1999, Enel’s bylaws expressly provide that, in order to simplify the collection of proxies by the employees-shareholders of the Company and of its subsidiaries, which are affiliated to associations of shareholders which comply with the requirements prescribed by applicable laws, facilities for communication and for the collection of proxies shall be made available to such associations, pursuant to the terms and modalities to be agreed upon from time to time with their legal representatives.

In March 2008 the establishment of an employee-shareholders' association called *ADIGE - Associazione Azionisti Dipendenti Gruppo Enel* (Association of Employee-Shareholders of Enel Group) which possesses the requirements prescribed by the Unified Financial Act has been notified to the Company; the above rules provided by the bylaws of the Company apply therefore to such association.

## 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 assigns to the authority of the Board of Directors the 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 to represent the Company;
- > the reduction of the share capital in the event one or more shareholders withdraw;
- > the harmonization of the bylaws with provisions of law;
- > moving the registered office within Italy.

Furthermore, in implementing the provisions of the regulations regarding privatizations, the Company's bylaws assigns to the Italian government (represented for this purpose by the Ministry for the Economy and Finance) the "special power" of veto on the adoption of several resolutions – which are 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

As of March 2011, the bylaws contains three authorizations of 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 euro 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 euro 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 that, also in this case, 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 euro 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, since in March 2011 the Board of Directors has ascertained the achievement of the objectives to which the exercise of the options under the said stock option plan was subject to; the amount of such authorization could entail a maximum total dilution amounting to 0.10% of the share capital as recorded at the beginning of March 2011.

For the sake of completeness, it should be pointed out that the total actual dilution of the share capital as of the end of 2010 as a consequence of the exercise of the stock options assigned through the plans preceding the aforesaid ones amounted to 1.31%.

As of March 2011, 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 Credit Agreement for purchasing Endesa shares

In order to finance the purchase of the shares of the Spanish company Endesa SA, as part of the takeover bid on the entire share capital of the said company by Enel, its subsidiary Enel Energy Europe Srl and the Spanish companies Acciona SA and Finanzas Dos SA (the latter controlled by Acciona SA), in April 2007 Enel and its subsidiary Enel Finance International SA (recently merged in Enel Finance International NV) 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 euro 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 euro 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 Srl of the 25.01% of Endesa SA's share capital held by Acciona SA and Finanzas Dos SA. Specifically, it was agreed that of the additional euro 8 billion obtained through the extension of the Credit Agreement, euro 5.5 billion may be paid back in 2014 and the remaining euro 2.5 billion in 2016. Following the acquisition by the subsidiary Enel Energy Europe Srl of the 25.01% of Endesa SA's capital held by Acciona SA and Finanzas Dos SA, in June 2009 the aforesaid extension of the Credit Agreement, amounting to euro 8 billion, was entirely used. In December 2010, following the repayments made, the remaining amount of the Credit Agreement – including the aforesaid additional euro 8 billion – was euro 6.9 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 that 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.

### B) The revolving credit facility agreement

In order to meet general treasury requirements, in April 2010 Enel and its subsidiary Enel Finance International SA (recently merged in Enel Finance International NV) entered into a revolving credit facility agreement with a pool of banks for a total amount of euro 10 billion and, at the same time, terminated a previous agreement having the same subject, entered into in 2005, for an amount of euro 5 billion.

This contract, which is currently in force, provides, as in the contract which was terminated, for rules regarding changes of control and the related effects that are essentially the same as those in the Credit Agreement described in paragraph A) above.

### C) The revolving credit facility agreement entered into with Unicredit

In order to satisfy specific treasury requirements, in December 2010 Enel entered into a revolving credit facility agreement with Unicredit SpA for a total amount of euro 500 million and a term of about 18 months from the date of signing.

This contract also provides that in the event that the control of Enel is acquired by one or more parties other than the Italian Government, such change shall be timely notified to Unicredit SpA; in the event that Unicredit SpA deems that the change of control may adversely affect the capacity of Enel to fulfill its obligations under the facility agreement, it may request the suspension of the use by Enel of the funds provided under the facility agreement and the reimbursement of the amounts already drawn but not yet used.

### D) 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 agreement with the European Investment Bank (hereinafter, for the sake of brevity, "EIB") for up to euro 450 million, which expires in July 2027.

This agreement provides that both Enel Produzione SpA 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 SpA or Enel, EIB may demand additional guarantees, changes in the agreement, or alternative measures that it considers satisfactory. If Enel Produzione SpA does not accept the solutions it proposes, EIB has the right to unilaterally terminate the loan agreement in question.

### E) 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 agreement with the EIB in the amount of euro 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 SpA entered into another loan agreement with the EIB in the amount of euro 600 million, which expires in December 2026.

Both the agreements in question are accompanied by a guarantee agreement – not yet effective as of February 2011 as far as the aforesaid loan granted to the subsidiary Enel Distribuzione SpA 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 SpA.

### F) The Cassa Depositi e Prestiti loan to Enel Distribuzione

In April 2009, the same Enel Distribuzione SpA entered into a framework loan agreement with Cassa Depositi e Prestiti SpA (hereinafter, for the sake of brevity, "CDP") for an amount of euro 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 agreement is also accompanied by a guarantee agreement 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 SpA that could entail the loss of the control of said company, as well as (ii) of any significant deterioration of the situation or prospects of Enel Distribuzione SpA'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 SpA to repay immediately to CDP the loan received.

## Compensation of the Directors in case of early termination of the relationship, also following a takeover bid

The payment 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 early termination of the relationship following their resignation or 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 will receive a compensation amounting to:

- > in the Chairman's case, the total sum of the fixed and variable remuneration that he would have received until the expiry of his term (assuming, with regard to the variable part, the average remuneration 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 remuneration (assuming, with regard to the variable part of the same, the average remuneration 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 receive a compensation amounting to three years of (i) the fixed remuneration received in such capacity, as well as (ii) 50% of the variable remuneration received in the same capacity, amounting to a total sum of euro 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.

With reference to the effects of the termination of the management employment relationship on the rights assigned to the General Manager in the context of the incentive plans currently in force, based on financial instruments (stock option and restricted share units) or to be paid in cash (long-term incentive), it should be noted that, in accordance with the rules applying to all the beneficiaries of such plans:

- > following the termination of the employment relationship due to the expiry of the term, the General Manager retains the rights which were previously assigned to him;
- > in the event of termination of the employment relationship due to voluntary resignation (with or without a just cause) or dismissal for just cause or for a justified personal reason, the General Manager loses any right previously assigned to him;
- > in the event of termination of the employment

relationship due to reasons other than those under (ii) above, the Board of Directors, upon consultation with the Compensation Committee, shall determine the rules applicable to the rights assigned to the General Manager.

The Chief Executive Officer (and General Manager) has undertaken not to engage – for one year as from the termination of his labor relationship – on his own and directly, in any business activities anywhere in the European Union territory that could be in competition with those carried on by Enel.

As a consideration for such undertaking, the Company undertook to pay to the latter the fixed and variable components of one year of compensation as Chief Executive Officer and General Manager (considering, with respect to the variable part of the compensation, the average amount of the compensation which was paid during the last two years or, absent that, 50% of the maximum expected amount).

Finally, it should be noted that there are no agreements providing for (i) the award or the keeping of non monetary benefits in favor of former Directors, or (ii) the entering into of consultancy agreements for a period following the termination of the relationship as Director; no specific compensation is also 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 (and General Manager) is provided in the second section of this report (under "Board of Directors - Remuneration").

## 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 by-laws, as well as the observance of correct management principles in the carrying out of the Companies activities, (ii) checking the financial information process and the adequacy of the Company's organizational struc-

ture, internal auditing system, and administration and accounting system, and (iii) supervising the audit of the annual financial statements and of the consolidated financial statements and the independence of the external auditor and, finally (iv) 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 the constitution and 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 powers that are assigned otherwise by the law or by the Company's bylaws or which 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 are 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 incentive plans addressed to all the executives;
  - > 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, or 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 euro 50 million, as well as granting loans and issuing guarantees in favor of third parties exceeding the value of euro 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 euro 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 euro 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 by virtue of the legislation regarding privatizations and a specific provision of the bylaws (as explained in the first section of this report under "Ownership structure - Special powers of the Italian government"). 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 for (i) statutory auditors of listed companies, and (ii) for the company representatives of entities participating in the equity of financial intermediaries.

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 in 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, own the minimum percentage of the share capital of the Company indicated by CONSOB with regulation (i.e., considering Enel's market capitalization, currently the minimum percentage required is equal to at least 0.5% of the share capital). Following the significant amendments to the applicable laws, introduced by Legislative Decree 27 of January 27, 2010 – which implemented in Italy the Directive 2007/36/EC, relating to the exercise of certain rights of the shareholders of listed companies – the Unified Financial Act provides that, starting from the shareholders' meetings whose notice is published after October 31, 2010, the slates must be filed at the Company's registered office at least 25 days before the date on which the shareholders' meeting convened to resolve upon the appointment of the members of the board of directors is called and shall be published by the Company on its internet website and on the website of Borsa Italiana, as well as made available to the public at Enel's registered office at least 21 days before the date of the meeting, so as to ensure a transparent process for the appointment of the Board of Directors.

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. currently 0.25% 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 Direc-

tors 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.

It should be noted that the Company has not adopted as of the present date specific plans for the succession of the executive Directors, since, in accordance with Enel's shareholding structure, the Chief Executive Officer was appointed by the Board of Directors upon indication of the main shareholder, the Ministry for the Economy and Finance, whose vote, in the context of the ordinary session of the Shareholders' meeting, contributed in a determinant manner to appoint the Chairman of the Board of Directors.

As resolved by the Ordinary Shareholders' Meeting of June 11, 2008, the current 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 of 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, 72, 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 in 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 honorary president of the Mediterranean Energy Observatory (OME), he currently also holds the positions of chairman of the board of directors of Emittenti Titoli and director of Unicredit and "Il Sole 24 Ore". He has been Chairman of the Board of Directors of Enel since May 2002.

**Fulvio Conti, 63, 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. 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. 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, 71, 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. Professor since 1975, since 1983 he has held the chair of steel constructions at the school of engineering and from 2002 to 2010 he had been the dean of the Institute. 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. 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 had been a director of RCS Quotidiani from April 2007 to March 2010. He has been a Director of Enel since May 2005 and of the "La Triennale" Foundation of Milan since May 2009. From June 2010 he is the president of the technical-scientific committee of the company Stretto di Messina.

**Lorenzo Codogno, 51, 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, 74, 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 in the board of directors of ENI and is currently a director and member of the executive committee of the "Il Mulino" publishing house. He has been a Director of Enel since June 2008.

**Augusto Fantozzi, 70, 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". 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). 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. 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 in 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, chairman of the board of directors of Sisal, of Sisal Holding Finanziaria and of Astrid Servizi, 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, 59, 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. 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 from October 2009 to October 2010 he had been a director of Livingston. He has been a Director of Enel since May 2005.

**Fernando Napolitano, 46, 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 in 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 BEE Team) from May 2007 to October 2008.

**Gianfranco Tosi, 63, 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). Author of more than 60 publications, he has been extensively involved in scientific activities. 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. 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 to 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.

## Remuneration

Shareholders' Meetings determine the remuneration 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 remuneration for the members of the Committees with advisory and proactive duties instituted within the Board of Directors. The total remuneration 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 euro 85,000 gross a year as the remuneration 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 remuneration 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 remuneration is euro 35,000 gross a year, while for the other members the fee is euro 30,000 gross a year. An attendance fee of euro 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 remuneration of the Chairman and the Chief Executive Officer/General Manager. This remuneration, 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 remuneration of euro 700,000 gross a year and variable remuneration of up to a maximum of euro 560,000 gross a year. The variable remuneration – 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 remuneration thus determined includes the base remuneration of euro 85,000 gross a year set by the Shareholders' Meeting for each Director, as well as the remuneration 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 the Directors in case of early termination of the relationship, also following a takeover bid").

With regard to his capacity as Chief Executive Officer, the Chief Executive Officer/General Manager is entitled to fixed remuneration of euro 600,000 gross a year and variable remuneration of up to a maximum of euro 900,000 gross a year. The amount of his variable remuneration 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 remuneration thus determined includes the base remuneration of euro 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 remuneration of euro 700,000 gross a year and variable remuneration of up to a maximum of euro 1,050,000 gross a year. In this case, too, the amount of the variable remuneration 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 remuneration thus determined includes the remuneration 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 2010 related to both (i) quantitative targets, with specific regard to the achievement of the consolidated EBITDA set by the budget (weight: 25%), reduction of the consolidated financial debt (weight: 20%), the level of satisfaction of the customers who accepted the offers of the subsidiary Enel Energia SpA (weight: 10%), the margin of the generation area (weight: 20%), workplace safety (weight: 10%); and (ii) qualitative targets relating to the effectiveness of the communication and information plan on the nuclear competences of Enel and the assessment of the results of the "climate" investigation within the Group (overall weight: 15%).

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 financial instruments (stock options and restricted share units) or to be paid in cash (long-term incentive) addressed to the executives of the Company and of 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.

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, (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), and (iii) consideration for the undertaking not to engage – for one year as from the termination of his labor relationship – in his own and directly, in any business activities anywhere in the European Union territory that could be in competition with those carried on by Enel.

The features of such compensation and of the said consideration are described in the first section of this report (under "Ownership structure" - "Compensation of the Directors in case of early termination of the relationship, also following a takeover bid").

In 2011, following the appointment of the new Board of Directors, to be made in occasion of the approval of the 2010 financial statements, the Company will conform to the recommendations introduced in March 2010 in the Self-regulation Code in relation to the compensation of the Directors and executives with strategic responsibilities.

## 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 in 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 in 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:

- > companies with shares listed on regulated markets, including foreign ones;
- > 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);
- > 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 euro 1 billion or revenues exceeding euro 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 in the Board of Directors of Enel and in 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 2011, it has been ascertained that each Enel Director currently holds a number of offices in 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 2010, the Board of Directors held 15 meetings, which lasted an average of about 2 hours and 45 minutes. The Directors’ 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 2011 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 2010, the Board of Directors, with the assistance of a specialized company, began (and completed in March 2011) 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, 2008 and 2009.

Conducted by means of a questionnaire filled out by each Director during individual interviews carried out by the consultancy firm, the analysis was intended to represent an overview of the activities of the Board of Directors during its three-year mandate, which is about to end, and, once again, it 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; and (v) the evaluation of the appropriateness of the corporate organizational structure.

Among the strengths that emerged from the 2010 board review (whose results have confirmed the very positive assessment of the analysis conducted in the previous years), was, first of all, the atmosphere of great cohesiveness and collaboration and the team spirit existing within the Board of Directors, which foster open and constructive discussion among the members of the Board and facilitate 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 complete, effective and, in general, timely; 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, which ensures, inter alia, the maximum transparency from the Company's top management during the meetings of the Board of Directors. 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. The Company's top management is considered competent and cohesive, and provides useful information on the main topics to be discussed during the meetings of the Board of Directors. The foregoing considerations indicate, as pointed out by the specialized consulting company, that the Board of Directors and its committees operate 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 competence in the field of the energy business and experience on the international scene, among other things to strengthen the Group's multinational profile. It was again suggested to dedicate more time during Board meetings to understand the business and the areas at risk connected with internationalization of the Group, also by means

of visits to the operational sites of the main foreign subsidiaries; finally, given the moderate size of the Board of Directors and the cohesion among its members, the actual usefulness of 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 2010, in November, 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 consolidated 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 with 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 the months of February 2009 and February 2010, and most recently in February 2011, 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, starting from the evaluation 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, February 2010 and, most recently, February 2011, 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 the months of February 2009, February 2010 and, most recently, February 2011, 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 2010. On that occasion, they emphasized that the organizational, strategic and management decisions of the Board of Directors have always been aimed, during the financial period of reference, at pursuing the Company's interest.

Since 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 appoints 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 the Compensation Committee and the Internal Control 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 external consultants at the Company's expense within the limits of the budget approved by the Board of Directors.

Each Committee appoints a secretary, who needs not to 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.

In November 2010, the Board of Directors – in the context of the approval of a new procedure for transactions with related parties, in compliance with the requirements prescribed by CONSOB with regulation adopted in March,

2010 – established a new Committee composed of 3 independent Directors, appointing as members Augusto Fantozzi (as coordinator), Giulio Ballio and Renzo Costi, all Directors appointed by the minority shareholders. Since January 1, 2011, this Committee shall express its opinions concerning transactions with related parties of Enel, directly or through subsidiaries, in those cases and according to the modalities provided for in the aforementioned procedure adopted by the Board of Directors in November 2010. The organizational procedure of the Related Parties Committee governs the composition, tasks, and working procedures of the committee in compliance with the principles similar to those provided in the regulations of the Compensation Committee and the Internal Control Committee.

## 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 2010 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 2011, when implementing the recommendations introduced in March 2010 in the Self-regulation Code concerning the remuneration of the Directors and executives with strategic responsibilities, the Board of Directors will amend certain provisions of the organizational regulation of the Compensation Committee that governs its composition, tasks, and working procedures, in order to harmonize them with the new provisions of the Self-regulation Code. During 2010, the Compensation Committee consisted of Directors Augusto Fantozzi (acting as coordinator), Giulio Ballio, and Fernando Napolitano.

Also during 2010, the Committee held 4 meetings which lasted an average of 1 hour and 10 minutes.

During 2010, 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 examined the characteristics of the new management model which is being defined by the Group, and the evolution of the national laws concerning the remuneration of the directors and the top management of listed companies, in light of the necessity to implement the content of the relevant EU's recommendations of 2004 and 2009.

## 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. It should be noted that, in November 2010, the Board of Directors assigned all the competences to the Related Parties Committee, starting from January 2011;
  - 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, when the financial statements and the half-year report are approved, on the work performed and the adequacy of the internal control system.

During 2010, 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 2010, 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 45 minutes.

During 2010, 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 expressed a favorable opinion, within the limits of its authority, on the assignment of several specific additional tasks to the Group's main external auditor (pursuant to the relevant procedure, adopted in 2009, concerning the assignment of mandates to the external auditors which operate within the Group) and examined the effects of new legislative developments and the new international accounting standards on the Enel Group's consolidated financial

statements. In 2010 the Committee also supervised the preparation of the Sustainability Report, assessed the reports received during the previous financial year on the basis of the provisions of the Code of Ethics, received from the Statutory Auditors exhaustive information on the commencement, execution and conclusion of the procedure for the selection of a new external auditor, 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, 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 (this power was expressly granted to the Board of Statutory Auditors by Legislative Decree 39 of January 27, 2010, which implemented in Italy Directive 2006/43/EC, concerning the auditing of the annual and consolidated financial statements);



- > 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 entities which participate into the equity 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 was established by the CONSOB.

As in its provisions for the Board of Directors – and in compliance with the Unified Financial Act – the bylaws provides 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 the slates, in which the candidates must be listed in numerical order, may be presented by shareholders that, alone or together with other shareholders, own the minimum percentage of the share capital of the Company as determined by CONSOB with regulation for the presentation of slates of candidates to the office of director (specifically, pursuant to the market capitalization of the shares of Enel, the minimum percentage required is currently equal to at least 0.5% of the share capital). Following the significant amendments introduced into applicable laws by Legislative Decree 27 of January 27, 2010 – which implemented in Italy Directive 2007/36/EC, concerning the exercise of certain rights of shareholders in listed companies – the Unified Financial Act provides that, for the shareholders'

meetings whose notice is published after October 31, 2010, the slates of candidates to the office of Statutory Auditor (as for the slates of candidates to the office of Director) must be filed at the Company's registered office at least 25 days before the date of the Shareholders' Meeting convened to resolve upon the election of the members of the Board of Statutory Auditors and must be published by the Company in its internet website and in the website of Borsa Italiana, as well as made available to the public at Enel's registered office at least 21 days before the day set for the Shareholders' Meeting, together with exhaustive information upon the personal and professional characteristics of the candidates, in order to guarantee a clear procedure for the election of the controlling body.

For the appointment of Statutory Auditors who, for whatever reason are not elected according to the "slate-vote" system, the 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 April 29, 2010, the current Board of Statutory Auditors has a term that will expire when the 2012 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 appointed. The latter were presented by the Ministry for the Economy and Finance (which at the time owned 13.88% of the Company's share capital) and by a group of 20 institutional investors (which at the time owned a total of 1.19% of the Company's share capital).

**Sergio Duca, 63, Chairman (designated on the slate presented by institutional investors).**

Sergio Duca graduated cum laude in Economics and Business from the Bocconi University in Milan. A certified chartered accountant and public accountant, as well as auditor authorized by the UK Department of Trade and Industry, he acquired broad experience through the



PricewaterhouseCoopers network as the external auditor of important Italian listed companies, including Fiat, Telecom Italia, and Sanpaolo IMI. He was the Chairman of PricewaterhouseCoopers SpA from 1997 until July 2007, when he resigned from his office and ceased to be a shareholder of that firm because he had reached the age limit provided for by the bylaws. After serving as, among other things, member of the Edison Foundation's advisory board and the Bocconi University's development committee, as well as chairman of the Bocconi Alumni Association's board of auditors and a member of the board of auditors of the ANDAF (Italian Association of Chief Financial Officers), he was chairman of the board of statutory auditors of Tosetti Value SIM and an independent director of Sella Gestione SGR until April 2010. Member of the Ned Community, an association of non-executive directors, he currently holds high offices on the boards of directors and the boards of statutory auditors of important Italian companies, associations, and foundations, serving as chairman of the board of statutory auditors of the Lottomatica Group, chairman of the board of directors of Orizzonte SGR, an independent director of Autostrada Torino-Milano and Telecom Audit, a member of the supervisory board of Exor instituted pursuant to Legislative Decree 231/2001, and chairman of the board of auditors of the Silvio Tronchetti Provera Foundation and the Compagnia di San Paolo, as well as a member of the boards of auditors of the Intesa San Paolo Foundation Onlus and the ISPI (Institute for the Study of International Politics). He has been Chairman of Enel's Board of Statutory Auditors since April 2010.

**Carlo Conte, 63, 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 LUISS Guido Carli 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 the Bocconi University in Milan. 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, 68, 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-San Paolo, 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 remuneration of the regular members of the Board of Statutory Auditors. Specifically, in April 2010 an Ordinary Shareholders' Meeting set the remuneration to which the Chairman of the Board of Statutory Auditors is entitled at euro 85,000 gross a year and the remuneration to which each of the other regular Statutory Auditors is entitled at euro 75,000 gross a year, in addition to the reimbursement of the expenses necessary for them to perform their duties. During 2010, the Board of Statutory Auditors held 22 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 2011, the Board of Statutory Auditors established that the Chairman, Sergio Duca, 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 aforementioned 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.

As of March 2011, with respect 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 data regarding the number of offices held as well as the points thereof:

- > Sergio Duca: 5 offices amounting to 3.35 points;
- > Carlo Conte: 5 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), whose provisions concerning auditing are now provided by the above mentioned Legislative Decree 39 of January 27, 2010 (which implemented in Italy the Directive 2006/43/EC, concerning the auditing of the annual and consolidated financial statements).

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 2010 by the delegated judge 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, and substituted by Igina Maio with effect from January 1, 2011).

In January 2009, the Board of Directors resolved to pay the magistrate appointed by the Court of Accounts an attendance allowance of euro 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 CON-SOB 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 since 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 February 2010 and, most recently, in March 2011, 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.

In 2010, the main activities carried out by the "Group Risk Management" Department concerned:

- > the elaboration of the risk governance of the Group and its sharing with the operative Divisions and the interested staff Functions;
- > the drafting of the guidelines for the management of the financial risks, commodity risks and credit risks, comprising the definition of the system of operative limits;
- > the commencement of risk assessment activities within the operative Divisions;
- > the support for the definition of the organization of the local structures of risk management, which is currently in course;
- > the development of specific methodologies for the analysis and measuring of different risks.

## 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 Group 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, risks and 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 of the ADS - *American Depositary Shares* of Enel at the US *Securities and Exchange Commission* in March 2008, and which is still applicable to certain Latin-American companies of the Group, which currently have ADS listed on the New York Stock Exchange, as explained in detail in the first section of the document under "Share capital structure"), 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"), which is progressively extended to newly acquired subsidiaries of a material significance, is 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, the consolidated financial statements, and the half-year financial report.

The perimeter of the Group companies to include in the assessment is determined with regard to the specific level of risk, in both quantitative terms (for the level of significance 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 Company’s or group of companies’ level (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 – regardless of relevant controls (so-called “*valutazione a livello inerente*”) – 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, 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.

Controls at entity level are catalogued consistently with the five sections provided in the COSO Report: control environment, risk assessment, control activities, information systems and communication flows, monitoring activities. Within the scope of the companies identified as significant, the processes at greatest risk were then defined and assessed and, within such processes, the top-down risk-based approach was applied. In accordance with this approach, 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, risks and controls) 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 flows of data and information, as well as the key controls (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 (so-called “reporting”), 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 2010, 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, 2009 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 2010. Specifically, these companies, to which relevant laws were applicable in the course of the fiscal year of 2009, are: 1) Ampla Energia e Serviços SA (a Brazilian company); 2) Chilectra SA (a Chilean company); 3) Compañía Distribuidora y Comercializadora de Energia SA (a Colombian company); 4) Companhia Energética do Ceará 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 2010 of all the above companies, as included in the reporting package used for the preparation of the Enel Group's consolidated financial statements for 2010, will be made available to the public by Enel at least 15 days before the date set for the Shareholders' Meeting convened for the approval of the 2010 financial statements of Enel, at the same time of the summary reports regarding the main data of the last financial reports of the subsidiaries and affiliated companies (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 Enel 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 a regulation that establishes 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. Such regulation was applied until the end of 2010.

A new procedure for transactions with related parties took effect from January 1, 2011; such procedure was approved by the Board of Directors in November 2010, in compliance with the requirements provided by CONSOB with a regulation adopted in March 2010, which implements the provisions of the Italian Civil Code. In order to be consistent with the chronological order, the contents of this new procedure – that is available on the Company's website, together with the additional documentation concerning the corporate governance indicated in this report – shall be analyzed in the 2011 report on corporate governance and ownership structure.

According to the regulation for transactions with related parties which applied until the end of 2010, 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 euro 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 euro 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.

In 2010, the regulations regarding internal dealing applied to the purchase, sale, subscription, and exchange of shares of Enel SpA and of the subsidiaries Endesa SA and Enel Green Power SpA 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, the directors of the subsidiary Endesa SA as well as 28 other managerial positions identified in Enel and Endesa SA 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 euro 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 companies with listed shares 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; in particular, reference is made to the provision of the corporate bylaws aimed at facilitating the collection of the proxies among the employee-shareholders of the Company and its subsidiaries and at facilitating their participation in the decisional process of the Shareholders' Meeting (this provision is specifically described in the first part of the report, under "Ownership structure" - "Employee shareholdings: mechanism for exercising voting rights").

The provisions governing the functioning of the Shareholders' Meetings of listed companies, contained in the Italian Civil Code, in the Unified Financial Act and in the implementing regulations adopted by CONSOB, were significantly amended after the enactment of Legislative Decree 27 of January 27, 2010, which implemented in Italy the Directive 2007/36/EC (concerning the exercise of certain rights of shareholders in listed companies) and modified, among the others, the laws regarding the

terms for calling the shareholders' meetings, the number of meetings, the quorum, the exercise of the right to convene the meeting and to put items on the agenda by the minority shareholders, the information before the meeting, proxies, the identification of the shareholders and the introduction of the record date with the aim of identifying the title to participate and to vote in the meeting. The provisions of Legislative Decree 27/2010 are applicable with effect from the meetings whose notice is published after October 31, 2010. The main differences between the current and the previous provisions are summarized below.

In particular, it should be noted that 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.

On the basis of the Enel's bylaws, ordinary and extraordinary Shareholders' Meetings are held in single call, are convened and resolve with the majorities prescribed by applicable laws and 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 ordinary Shareholders' Meeting must be convened at least once per year within one hundred and eighty days after the end of the accounting period, for the approval of the financial statements.

The Unified Financial Act provides that the title to participate and to vote in the Shareholders' Meeting must be certified by a communication in favor of the person entitled to vote, sent to the issuer by the intermediary and issued on the basis of the accounting records at the end of the seventh trading day prior to the date set for the Shareholders' Meeting (so called "record date").

Shareholders may ask questions on the items on the agenda before the Shareholders' Meeting; questions submitted before the Meeting will be answered no later than during the Meeting.

Shareholders may notify their proxies to the Company, also by electronic means, through the specific section of the Company's website indicated in the notice of the Meeting. Shareholders may also be represented in the Meeting by a representative in conflict of interest,

provided that (i) the latter has communicated in writing to the shareholder the circumstances giving rise to the conflict of interest and (ii) specific voting instructions were given for each resolution in respect of which the representative has to vote on behalf of the shareholder.

Pursuant to the Unified Financial Act and consented by Enel's bylaws, shareholders are also entitled to grant to a representative appointed by the Company a proxy with voting instructions upon all or specific items on the agenda, that must be sent to the interested person no later than the end of the second trading day before the date set for the Shareholders' Meeting; this proxy, whose costs shall not be born by the shareholders, shall be granted through the filling of a schedule prepared by CONSOB and is valid only for those proposals in relation to which voting instructions were given.

On the basis of the Unified Financial Act, in the end of 2010 CONSOB issued the provisions governing the participation in the meeting by electronic means, which are applicable only when expressly referred to by the bylaws. The Board of Directors of the Company shall propose that the meeting, convened to approve the financial statements as of December 31, 2010, resolves, in extraordinary session, to insert in the bylaws a provision that entrusts the Board to determine – each time and taken into account the evolution and the reliability of the technical tools available – the possibility to participate in the Shareholders' Meeting by electronic means, and to identify the modalities of participation in the notice of the meeting.

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 (as subsequently amended and integrated in 2010). The contents of such regulation are in line with the most advanced models for companies with listed shares 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; 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 and the possible questions asked by shareholders before the Shareholder's Meeting to which the Company has not already responded, 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.

## 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 and February 2010.

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 and ended in February 2010 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 initially 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. Subsequently, in December 2010, the Board of Directors decided to extend the number of the members of the control body, providing for the appointment of an external member, expert in the field of business organization (identified in Prof. Matteo Giuliano Caroli), who was nominated as Chairman of the mentioned corporate body. 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. The periodical update and revision of the compliance program were carried out also during 2010.

Initially, in May 2010, the Board of Directors, upon proposal of the Internal Control Committee, has updated the "special parts" concerning the crimes and the administrative wrongdoings involving market abuse (in light of the supervening business carried out by certain companies of the Group on the electricity derivatives market) and 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, taking into account the supervening amendments to the legislation concerning the object of such "special parts". During the same meeting, the Board of Directors has also approved specific guidelines aimed at applying the principles of the compliance program to the most important foreign subsidiaries of the Group (identified also on the basis of the type of business), in order to:

(i) sensitize and make aware those companies on the importance of ensuring the conditions of fairness and transparency in the conduct of business and (ii) prevent the risk that, through wrongdoing made during the conduct of business, an administrative responsibility could raise pursuant to Legislative Decree 231/2001 to Enel and/or other Italian subsidiaries of the Group.

Subsequently, in December 2010, the Board of Directors, upon proposal of the Internal Control Committee, updated the "special parts" concerning the crimes for purposes of terrorism or subversion of democracy and the crimes of handling stolen goods, recycling and using illegally acquired money, property, and benefits in order to take into account the evolution of the corporate organization and the amendments to the legislation concerning those subject matters, and for the purpose of a better coordination of the "special parts". During the same meeting, the Board of Directors also approved a new "special part" concerning computer crimes and illicit treatment of data, which recent legislation included among the crimes that are the "condition" of the liability regulated by Legislative Decree 231/2001.

During 2010, the supervisory body oversaw, as usual, the functioning and the observance of the compliance program and in particular:

- > held 8 meeting, in which it discussed upon certain activities carried out in the Company (in relation to which it did not found the conditions for the application of administrative liability pursuant to Legislative Decree 231/2001) and upon particularly relevant events concerning other companies, in order to assess whether the provisions of the compliance program of Enel are appropriate to prevent the risk that similar events could occur in the Company;
- > promoted the update of the compliance program;
- > promoted, in addition to the usual training initiatives, differentiated according to the recipients and necessary to ensure a constant updating of the personnel on the contents of the compliance program, an on-line course regarding Legislative Decree 231/2001 and the compliance program;
- > constantly reported its activities to the Chairman and Chief Executive Officer and, on a regular basis, to the Internal Control Committee and to the Board of Statutory Auditors.



## "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 supplements the Code of Ethics and the compliance program adopted pursuant to Legislative Decree 231/2001, representing 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.

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 UFA (*****)	SC (*****)	(****)	Other offices (**) (***)	(****)	(****)	(****)	(****)
Chairman	Gnudi Piero	X				100%	2				
CEO/General Manager	Conti Fulvio	X				100%	2				
Director	Ballio Giulio (*)		X	X	X	93%	-		X	100%	
Director	Codogno Lorenzo		X			100%	-	X	92%		
Director	Costi Renzo (*)		X	X	X	93%	1	X	100%	Non-existent	Non-existent
Director	Fantozzi Augusto (*)		X	X	X	93%	5		X	100%	
Director	Luciano Alessandro		X	X	X	100%	-	X	92%		
Director	Napolitano Fernando		X			73%	1		X	50%	
Director	Tosi Gianfranco		X	X	X	100%	-	X	100%		

Quorum for the presentation of slates for the appointment of the Board of Directors: 0.5% of the share capital (\*\*\*\*\*).

Number of meetings held in 2010; Internal Control Committee: 13; Compensation Committee: 4; Nomination Committee: N.A.; Executive Committee: N.A.

## NOTES

\* 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, in February 2011 Enel's Directors held the following offices considered significant for this purpose:

1 Piero Gnudi: director of Il Sole 24 Ore SpA and Unicredit SpA;

2 Fulvio Conti: director of Barclays Plc. and AON Corporation

3 Renzo Costi: director and member of the Executive Committee of the publishing house "Il Mulino" SpA

4 Augusto Fantozzi: receiver of Alitalia SpA, Chairman of the Board of Directors of Sisal Holding Finanziaria SpA and Sisal SpA; director of Ferretti SpA, and chairman of the board of statutory auditors of Hewlett Packard Italia Srl

5 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, Subsection 3, of the Unified Financial Act, applicable to the Directors pursuant to Article 147-ter, Subsection 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 situations 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>(1)</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.

\*\*\*\*\* This quorum applies with effect from the meetings whose notice is published after October 31, 2010. For the meetings convened until that date, the quorum was equal to 1% of the share capital.

**Table 2: Enel's Board of Statutory Auditors**

Office	Members	Percentage of Board meetings attended	Number of offices (**)
Chairman	Fontana Franco (*) (***)	100%	13
Chairman	Duca Sergio (*) (****)	100%	5
Regular Auditor	Conte Carlo	91%	5
Regular Auditor	Mariconda Gennaro	86%	1
Alternate Auditor	Giordano Giancarlo (***)	N.A.	-
Alternate Auditor	Sbordoni Paolo (*) (***)	N.A.	-
Alternate Auditor	Salsone Antonia Francesca (****)	N.A.	-
Alternate Auditor	Tutino Franco (*) (****)	N.A.	-
Number of meetings held in 2010: 22			

Quorum required for the presentation of slates for the appointment of the Board of Statutory Auditors: 0.5% 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.

\*\*\* In charge until April 29, 2010.

\*\*\*\* In charge from April 29, 2010.

\*\*\*\*\* This quorum applies with effect from the meetings whose notice is published after October 31, 2010. For the meetings convened until that date, the quorum was equal to 1% of the share capital.

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 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		

(\*) 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 was applicable to the Company under the provisions of the regulations regarding privatizations (Article 4, Law n. 474 of July 30, 1994) with effect until the meetings whose notice was published within October 31, 2010. For the meetings whose notice is published after October 31, 2010, the Unified Financial Act (as amended by Legislative Decree 27 of January 27, 2010) provides that the slates must be filed at the Company's registered office at least 25 days before the date set for the Shareholders' Meeting convened to resolve upon the appointment of the members of the Board of Directors or of the Board of Statutory Auditors and must be published by the Company at least 21 days before the date set for the same Meeting.

	YES	NO	Summary of the reasons for any deviation from the recommendations of the Code
<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	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  Relations with retail shareholders: Department of Corporate Affairs Viale Regina Margherita, 137 - 00198 Rome, Italy tel. ++39 06/83054000 - fax ++39 06/83055028 e-mail: azionisti.retail@enel.com		



# Declaration of the Chief Executive Officer and the officer responsible for the preparation of the Company financial reports



Declaration of the Chief Executive Officer and the officer responsible for the preparation of the financial reports of Enel SpA at December 31, 2010, 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 no. 11971 of May 14, 1999



1. The undersigned Fulvio Conti and Luigi Ferraris, in their respective capacities as Chief Executive Officer and officer 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, 2010 and December 31, 2010.
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, 2010:
  - a. have been prepared in compliance with the international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 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, 2010 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 14, 2011

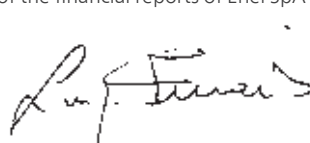
**Fulvio Conti**

Chief Executive Officer of Enel SpA



**Luigi Ferraris**

Officer responsible for the preparation  
of the financial reports of Enel SpA







# Reports

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## Report of the Board of Auditors to the shareholders of Enel SpA (pursuant to Article 153 of Legislative Decree 58/1998)

Shareholders,

during the year ended December 31, 2010 we performed the oversight activities envisaged by law at Enel SpA (hereinafter also the "Company"). In particular, pursuant to the provisions of Article 149, paragraph 1, of Legislative Decree 58 of February 24, 1998 (hereinafter the "Consolidated Law on Financial Intermediation") and Article 19, paragraph 1 of Legislative Decree 39 of January 27, 2010 (hereinafter "Decree 39/2010") we monitored:

- > compliance with the law and the corporate bylaws as well as compliance with the principles of sound administration in the performance of the Company's business;
- > the Company's financial reporting process and the adequacy of the administrative and accounting system, as well as the reliability of the latter in representing operational events;
- > the statutory audit of the annual statutory and consolidated accounts and the independence of the audit firm;
- > the adequacy and effectiveness of the internal control system and the risk management system;
- > the adequacy of the organizational structure of the Company, within the scope of our responsibilities;
- > the implementation of the corporate governance rules as provided for by the Corporate Governance Code for Listed Companies promoted by Borsa Italiana SpA (hereinafter, the "Corporate Governance Code"), which the Company has adopted;
- > the appropriateness of the instructions given by the Company to the subsidiaries to enable Enel SpA to meet statutory market disclosure requirements.

In performing our checks and assessments of the above issues, we did not find any particular issues to report.

In compliance with the instructions issued by CONSOB with communication no. DEM/1025564 of April 6, 2001, as amended, we report the following:

- > on a quarterly basis, as well as through our participation in the meetings of the Board of Directors of Enel SpA, we received adequate information from the Chief Executive Officer on activities performed, general developments in operations and the outlook, and on transactions with the most significant impact on performance or the financial position carried out by the Company and its subsidiaries. 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. For a discussion of the features of the most significant transactions, please see the report on operations accompanying the 2010 financial statements (in the section "Significant events in 2010");
- > 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 – referred to in the report on corporate governance and ownership structure for 2010. These rules were in force until the end of 2010. As from January 1, 2011, a new procedure for governing transactions with related parties, adopted by the Board of Directors in November 2010, has been in effect. The Board of Auditors checked the



compliance of this procedure with the general principles established by CONSOB in its regulation of March 2010 in implementation of the provisions of the Italian Civil Code. All transactions with related parties carried out in the period under review and reported in the notes to the financial statements were executed as part of ordinary operations in the interest of the Company and settled on market terms and conditions;

- > the Company declares that it has prepared its statutory financial statements for 2010 on the basis of international accounting standards (IAS/IFRS) – and the interpretations issued by the IFRIC and the SIC – endorsed by the European Union pursuant to Regulation (EC) 1606/2002 and in force at the close of 2010, as well as the provisions of Legislative Decree 38 of February 28, 2005 and its related implementing measures, as it did the previous year. The financial statements for 2010 have been prepared on a going-concern basis using the cost method, with the exception of items that are measured at fair value under IAS-IFRS. 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 (i) applicable standards adopted for the first time, which according to the notes did not have a material impact for the Company, and (ii) standards that have not yet been adopted and are not yet applicable. The financial statements for 2010 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 14 of Decree 39/2010;
- > the Company declares that it has also prepared the consolidated financial statements of the Enel Group for 2010 on the basis of international accounting standards (IAS/IFRS) – and the interpretations issued by the IFRIC and the SIC – endorsed by the European Union pursuant to Regulation (EC) 1606/2002 and in force at the close of 2010, as well as the provisions of Legislative Decree 38 of February 28, 2005 and its related implementing measures, as it did the previous year. As regards recently issued accounting standards, the notes to the consolidated financial statements discuss (i) applicable standards adopted for the first time, some of which according to the notes had a material impact on the financial statements, and (ii) standards that have not yet been adopted and are not yet applicable. The consolidated financial statements for 2010 of 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 14 of Decree 39/2010;

KPMG SpA also issued unqualified opinions on the financial statements for 2010 of the other Italian companies of the Enel Group. The analysis performed by the foreign correspondents of KPMG SpA on the reporting packages of the main foreign companies of the Enel Group used in the preparation of the consolidated financial statements of the Enel Group found no issues of sufficiently material impact to be reflected in the opinion on those financial statements. The boards of auditors of the Italian companies and the equivalent control bodies (where extant) of the main foreign companies of the Enel Group declared, within the scope of their responsibilities, that they performed their monitoring activities in compliance with the applicable regulations and did not report irregularities or other issues, recommending approval of the financial statements by the respective shareholders' meetings;

- > the reports on operations of the separate and consolidated financial statements both contain a discussion of the main risks and uncertainties facing the Company and the Enel Group as well as information concerning the environment and personnel in line with the amendments introduced with Legislative Decree 32 of February 2, 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 heads of the Administration, Finance and Control department, Group Risk Management and Audit, as well as with the other units involved;

- > we note that the Board of Directors of the Company certified, following appropriate checks by the Internal Control Committee, that as at the date on which the 2010 financial statements were approved the Enel Group continued to meet the conditions established by CONSOB (set out in Article 36 of the Market Rules, approved with Resolution no. 16191 of October 29, 2007) concerning the accounting transparency and adequacy of the organizational structures and internal control systems that subsidiaries established and regulated under the law of non-EU countries must comply with so that Enel SpA shares can continue to be listed on regulated markets in Italy;
- > we monitored, within the scope of our responsibilities, the adequacy of the organizational structure of the Company (and the Enel Group as a whole), obtaining information from department heads and in meetings with the boards of auditors or equivalent bodies of a number of Enel Group companies in Italy and abroad, for the purpose of the reciprocal exchange of material information. Organizational arrangements had already been modified in previous years with a substantial degree of centralization of certain activities and the structural simplification of the Enel Group. In 2010, as in the previous year, 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 a Services and Other Activities area. In the latter area, Enel Servizi Srl 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. The Board of Auditors feels that the organizational system described above is adequate to support the strategic development of the Company and the Enel Group and is consistent with control requirements;
- > we monitored the independence of the audit firm KPMG SpA, having received from them specific written confirmation that they met that requirement (pursuant to the provisions of Article 17, paragraph 9, letter a) of Decree 39/2010) and having discussed the substance of that declaration with the audit partner. In this regard, we also monitored – as recommended by Article 10.C.5. of the Corporate Governance Code – compliance with the regulations governing this field and the scale of non-audit services provided to the Company and other Enel Group companies by KPMG SpA and the entities belonging to its network, the fees for which are reported in the notes to the financial statements of the Company. Following our examinations, the Board of Auditors feels that there are no critical issues concerning the independence of the audit firm KPMG SpA. We held periodic meetings with the representatives of the audit firm, pursuant to Article 150, paragraph 3, of the Consolidated Law on Financial Intermediation, and no material information was found that would require mention in this report. As regards the provisions of Article 19, paragraph 3, of Decree 39/2010, as of the date of this report KPMG SpA had not yet provided the Board of Auditors with the report for 2010 “on key issues emerging during the statutory audit” and, in particular, on any significant shortcomings in the internal control system concerning financial reporting (although the report is the process of being formalized). During our periodic meetings, KPMG SpA informed the Board of Auditors on the audit activity conducted and, in particular, did not report any significant shortcomings in the internal control system concerning financial reporting. As regards a number of issues involving administrative processes, the audit firm provided suggestions that, after being agreed with the Company’s operating units, enabled improvements to be implemented. Finally, with the approval of the financial statements for 2010, the engagement granted to the audit firm KPMG SpA comes to an end. The Company therefore held a tender to award the statutory audit engagement for the years from 2011 to 2019. The Board of Auditors, in accordance with the supervisory duties assigned to it by applicable law, performed a control and coordination role in the activities undertaken by



the competent corporate units in organizing that tender. The activities carried out during that procedure, the criteria adopted and the decisions taken are discussed in a specific report submitted to the Shareholders' Meeting, which contains the detailed proposal of the Board of Auditors in this regard;

- > we monitored the financial reporting process, the appropriateness of the administrative and accounting system and its reliability in representing operational events, as well as compliance with the principles of sound administration in the performance of the Company's business. We conducted our checks by obtaining information from the head of the Administration, Finance and Control department (taking due account of that person's role as the officer responsible for the preparation of the Company's financial reports), examining Company documentation and analyzing the findings of the examination performed by KPMG SpA. The Chief Executive Officer and the officer responsible for the preparation of the financial reports of Enel SpA issued a statement (regarding the Company's 2010 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 endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002; (iii) the correspondence of the financial statements 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 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 that the assessment of the internal control system did not identify any material issues. An analogous statement was prepared for the consolidated financial statements for 2010 of the Enel Group. The assessment of the internal control system was supported by the findings of the independent monitoring conducted by the Company's Audit department;
- > we monitored the adequacy and effectiveness of the internal control system, primarily through periodic meetings with the head of Audit department (who holds the position of Internal Control Officer), with the participation of the Chairman in the meetings of the Internal Control Committee and examining the associated documentation. In the light of our examination and in the absence of significant issues, the internal control system can be considered adequate, effective and functional. In March 2010 and, most recently, February 2011, the Board of Directors of the Company expressed an analogous assessment of the situation;
- > during the year, the Board of Auditors did not receive any reports of censurable facts pursuant to Article 2408 of the Italian Civil Code. We did receive reports from a number of customers of Italian Enel Group companies concerning the supply of electricity and gas. In this regard, the Board of Auditors asked the competent operating units of the Company to carry out the necessary enquiries, which found no material irregularities to report. The findings of the enquiries were notified to the persons involved;
- > the Company continues to comply with the Corporate Governance Code, having for some time completed implementation of the recommendations contained in the most recent edition of the Code (March 2006). In February 2010 and February 2011, 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 2010. As regards the "self-assessment" of the independence of its members,

- the Board of Auditors verified compliance, in February 2010 and February 2011, noting however that the standing member of the Board of Auditors Carlo Conte met the independence requirements established in Consolidated Law on Financial Intermediation (and the related implementing regulations) for members of the Board of Auditors of listed companies while not meeting those envisaged in the Corporate Governance Code for directors of listed companies 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 Consolidated Law on Financial Intermediation and Articles 144-duodecies et seq. of the Issuers Regulation adopted by CONSOB with Resolution no. 11971 of May 14, 1999 with the requirement to report any positions of administration or control held in Italian corporations;
- > 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 2010;
  - > in 2002 the Company 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 and February 2010 the Code was updated in the light of legislative and organizational changes and to align its provisions with international best practice;
  - > even after the voluntary delisting of the Company's American Depositary Shares (ADS) from the New York Stock Exchange and the voluntary deregistration of the ADS (and the ordinary shares) with the Securities and Exchange Commission, 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 Section 404 of the Sarbanes-Oxley Act) 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 which introduced into Italian law a system of administrative (though actually criminal) liability for companies for certain types of offences committed by its directors, managers or employees on behalf of or to the benefit of the companies since July 2002 Enel SpA has adopted a Group compliance program consistent with the guidelines established by industry associations and with US best practice. The program consists of a "general part" and various "special parts" concerning the difference of offences specified by Legislative Decree 231/2001 that the program is intended to prevent. So far, special parts have been prepared for offences in relations with government, corporate offences, offences related to terrorism or the overthrow of the democratic order, offenses involving the degradation of the individual, criminal and administrative offences involving market abuse, the offences of manslaughter and negligent personal injury committed in violation of workplace health and safety regulations, offences involving receipt of stolen goods, money laundering, the use of money, goods or benefits of unlawful provenance, and computer crimes and illegal data handling. During 2010, the Board of Directors of the Company, acting on a proposal of the Internal Control Committee, first approved or updated a number of the special parts indicated above. In addition, the Board of Directors, again acting on a proposal of the Internal Control Committee, approved specific guidelines to enable application of the principles of the compliance program in the Group's main foreign companies, in order to (i) raise the awareness of these companies of the importance of ensuring fairness and transparency in the conduct of business and (ii) to prevent the risk that the commission of offences by such companies might give rise to administrative liability pursuant to Legislative Decree 231/2001 for Enel SpA and/or other Group companies in Italy. All criminal offences material to the activity of the Company and the

Enel Group and covered by Legislative Decree 231/01 have been included in the compliance program in order to prevent their occurrence.

In 2008 the supervisory body responsible for governing the operation and compliance with the program and updating its provisions was transformed into a collegial body. In December 2010, the Board of Directors of the Company decided to expand the membership of the body, appointing a member external to the Company as chairman. The Board of Auditors received adequate information on the main activities carried out in 2010 by the supervisory body responsible for monitoring the operation of and compliance with the compliance model under Legislative Decree 231/01. Our examination of those activities found no facts or situation that would require mention in this report;

- > in 2010 the Board of Auditors issued one opinion pursuant to Article 2389, paragraph 3, of the Civil Code concerning the compensation to be paid to members of the Related Parties Committee, established in accordance with the new procedure adopted by the Board of Directors of Enel SpA in November 2010 to govern transactions with related parties;
- > the notes to the Company's financial statements and the consolidated financial statements of the Enel Group, as well as the report on corporate governance and ownership structure for 2010 contain a detailed and comprehensive discussion of the forms of remuneration in use and the fixed and variable compensation received by the Chairman of the Board of Directors, the Chief Executive Officer/General Manager and other directors in 2010 for their respective positions. The disclosures also concern long-term incentive plans (stock option and restricted share unit plans, and other long-term incentives, 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 creation of shareholder value. Their definition and the determination of the related parameters by the Board of Directors is performed by the Compensation Committee, which is made up of non-executive directors, of which a majority are independent;
- > the Board of Auditors' oversight activity in 2010 was carried out in 22 meetings and with participation in the 15 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 (as well as those of the Board of Directors).

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 regulatory authorities or mention in this report.

Based on the oversight activity performed and the information exchanged with the independent auditors KPMG SpA, we recommend that you approve the Company's financial statements for the year ended December 31, 2010 in conformity with the proposals of the Board of Directors.

Rome, April 6, 2011

The Board of Auditors



## Report of the Independent Auditors on the financial statements of Enel SpA for 2010



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(Translation from the Italian original which remains the definitive version)

## Report of the auditors in accordance with articles 14 and 16 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 2010, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity for the year, 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.

Reference should be made to the report dated 9 April 2010 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

- 3 In our opinion, the separate financial statements of Enel S.p.A. as at and for the year ended 31 December 2010 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 2010, 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 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 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 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 2010.

Rome, 6 April 2011

KPMG S.p.A.

(signed on the original)

Stefano Bandini  
Director of Audit





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to in Article 154-ter, paragraph 1, of the  
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Enel  
Società per azioni  
Registered Office  
137 Viale Regina Margherita, Rome  
Share capital  
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Tax I.D. and Companies Register  
of Rome: no. 00811720580  
R.E.A. of Rome no. 756032  
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White Silk rather than a non recycled paper,  
the environmental impact was reduced by\*:



**12,379.1**  
kg of landfill



**2,396**  
kg of CO<sub>2</sub> of greenhouse gases



**17,114**  
km travel in the average European car



**227,931**  
litres of water



**25,672**  
kWh of energy



**20,128**  
kg of wood

Source:  
European BREF (data on virgin fibre paper).  
Carbon footprint data audited by the Carbon Neutral Company.

(\*) The information provided refers to all the financial publications of Enel SpA 2010-2011 in the versions before and after the Shareholders' Meeting, Environmental Report and Sustainability Report.







