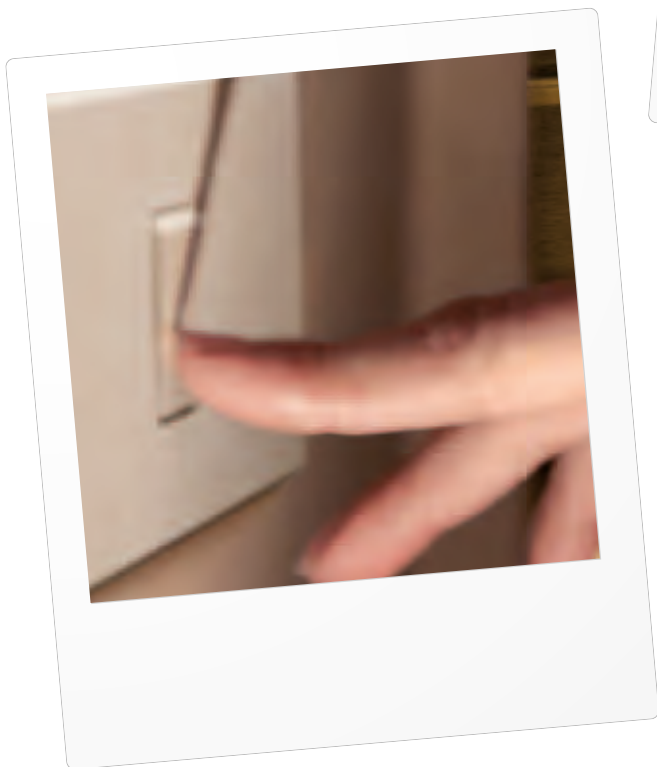


Report and Financial Statements of Enel SpA at December 31, 2011



FIFTY YEARS

1962 2012



FIFTY YEARS

1962 2012

Contents

Report on operations

The Enel structure	6
Corporate boards	8
Letter to shareholders and other stakeholders	10
Summary of the resolutions of the Ordinary and Extraordinary Shareholders' Meeting	17
Enel and the financial markets	18
Activity of Enel SpA	21
Significant events in 2011	22
Performance and financial position of Enel SpA	25
Results of the main subsidiaries	31
Human resources and organization	46
Research and development	56
Main risks and uncertainties	57
Outlook	59
Other information	60

Financial statements

Income Statement	66
Statement of Comprehensive Income for the year	67
Balance Sheet	68
Statement of Changes in Equity	70
Statement of Cash Flows	72
Notes to the financial statements	73
Information on the Income Statement	93
Information on the Balance Sheet	99
Related parties	125
Stock incentive plans	133
Contractual commitments and guarantees	137
Contingent liabilities and assets	138
Subsequent events	140
Fees of auditing firm pursuant to Article 149- <i>duodecies</i> of the CONSOB "Issuers Regulation"	141

Corporate governance

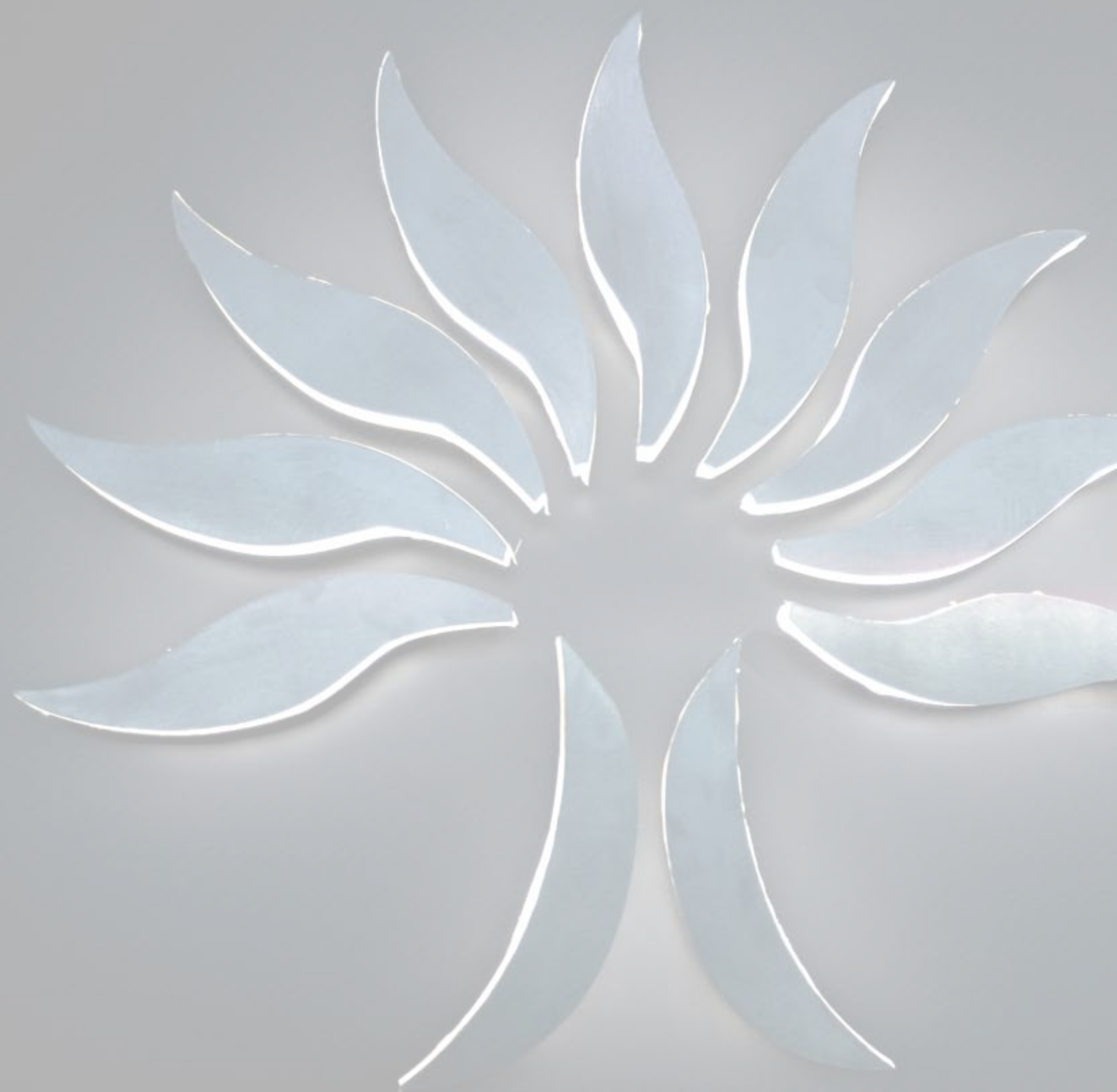
Report on corporate governance and ownership structure	144
--	-----

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	188
---	-----

Reports

Report of the Board of Auditors	192
Report of the Independent Auditors	200





Report on operations

The Enel structure

Corporate Enel SpA

Sales

Enel Servizio Elettrico
Enel Energia

Generation and Energy Management

Enel Produzione
Enel Trade
Enel Trade Romania
Enel Trade Croatia
Enel Trade Serbia
Nuove Energie
Hydro Dolomiti Enel
SE Hydropower
San Floriano Energy
Enel Stoccaggi
Enel Longanesi Development
Sviluppo Nucleare Italia

Engineering and Innovation

Enel Ingegneria
e Innovazione

Infrastructure and Networks

Enel Distribuzione
Enel Sole
Enel M@p

Iberia and Latin America

Endesa

International

Slovenské elektrárne
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 Green Power
Latin America
Enel Green Power España ⁽¹⁾
Enel Green Power Romania
Enel Green Power North
America
Enel Green Power Bulgaria
Enel Green Power France
Enel Green Power Hellas

Services and Other Activities

Enel Servizi
Enelpower
Enel.NewHydro
Enel.Factor

(1) Following merger carried out in 2011, includes data for Enel Unión Fenosa Renovables.

Corporate boards

Board of Directors

Chairman

Paolo Andrea Colombo

Chief Executive Officer and General Manager

Fulvio Conti

Directors

Alessandro Banchi
Lorenzo Codogno
Mauro Miccio
Fernando Napolitano
Pedro Solbes Mira
Angelo Taraborrelli
Gianfranco Tosi

Secretary

Claudio Sartorelli

Board of Auditors

Chairman

Sergio Duca

Auditors

Carlo Conte
Gennaro Mariconda

Alternate auditors

Antonia Francesca Salsone
Franco Tutino

Independent Auditors

**Reconta
Ernst & Young 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 May 2, 2011, 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 May 2, 2011 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 2011, the global landscape was marked by persistent economic and financial uncertainty, with more limited growth seen in the mature economies (including Western Europe), and rather more vigorous expansion of the economies of the emerging countries of Eastern Europe, Asia and Latin America.

Several major events impacted the energy sector, contributing to a profound change in the industry. These include the tsunami triggered by the earthquake that hit Japan, which devastated the Fukushima Daiichi nuclear power plant and appears to have slowed development of this technology across the world.

As a result of this event and the subsequent debate on nuclear power plant safety, a number of European countries have decided to review their energy policies. For example, in Italy, the referendum held last June to repeal the law permitting nuclear power marked our country's (and Enel's) exit from the nuclear development program.

An additional factor was the upheaval associated with the so-called "Arab Spring", which, in affecting the Mediterranean shore of Africa, underscored the importance of the security of primary energy supplies for Europe.

In this turbulent environment, Enel continued to be an internationally reliable presence, a stable industrial Group that, for 50 years, has been a partner in the development of Italy and many other countries.

In 2011, despite such challenging conditions, we achieved the targets announced to investors, posting a gross operating margin of €17.7 billion and net income of €4.1 billion. This performance was attained thanks to our geographical diversification and a balanced generation mix that makes use of all available energy resources and the most advanced technologies.

We also continued to reduce our debt, lowering net financial debt to €44.6 billion. Thanks to these results, the ratio of debt to gross operating margin at the end of 2011 came to 2.5, an improvement over the 2.6 for 2010.

The Group's financial position remained sound thanks to increased cash flow and cost efficiency initiatives, as well as measures to improve efficiency, streamline processes and expand operational flexibility undertaken throughout 2011, with benefits to continue in the coming years.

The excellent results achieved confirm the effectiveness of the strategic priorities adopted in the business plan, namely:

- > consolidating our market leadership in Italy and Spain in electricity generation, distribution and sales;
- > strengthening and development in renewables and in Latin America, Russia and Eastern Europe, in order to diversify the portfolio of plants and expand in sectors and geographical areas with the greatest potential;
- > leadership in innovation, from improving plant environmental performance to carbon capture and sequestration technology, from renewables such as thermal solar power to the development of electric cars and smart grids;

- > consolidation, integration and operational excellence of our activities through continuous improvement and greater efficiency in process management;
- > rigorous control over investment plans, with the use of just-in-time policies.

This approach, together with close attention to local communities, a culture of safety and a clear corporate social responsibility policy, as confirmed by Enel's admission to the UN's Global Compact LEAD program, has enabled Enel to continue to create value for all stakeholders.

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

Sales Division

In 2011, the Sales Division continued to focus on the strategy of sales to high-value mass market segments, with the acquisition of a significant number of new electricity and gas customers.

During the year, Enel Energia served about 7.1 million customers: 3.9 million electricity customers and 3.2 million gas customers. Enel Energia remains the leading Italian supplier of electricity on the free market, with a strong presence in the sale of natural gas as well.

Enel Servizio Elettrico is the leading supplier in the enhanced protection market, delivering electricity to 24.9 million customers.

The Division's results improved in 2011, in terms both of financial performance, with a gross operating margin of €561 million (up 16% over 2010), and of service quality, with the Authority for Electricity and Gas (the Authority) placing Enel Energia and Enel Servizio Elettrico in first and second place in its ranking.

The Division's strategy is to maximize the value generated for the Group and its customers by providing excellent service quality and innovative commercial offers and sales channels.

Generation and Energy Management Division

In 2011, in a market characterized by weak demand for electricity and a considerable increase in the installed capacity of non-schedulable renewable power plants, the Generation and Energy Management Division generated about 67.2 TWh of power in Italy, approximately 23% of the Italian market net of imports. This represents a slight decrease from the previous year (-3.1%) due to lower hydroelectric output also as a result of the partial deconsolidation of Hydro Dolomiti Enel and San Floriano Energy. The decline was partially offset by higher coal-fueled power generation thanks to the entry into service of the Torrevaldaliga Nord plant in Civitavecchia.

The gross operating margin for 2011 came to €2,182 million, down 8.8% from 2010, due to the deterioration in the Italian wholesale electricity and gas market and the impact of the change in the scope of consolidation for the hydroelectric companies mentioned above.

In this context, in 2011 the Division continued to cut costs and improve the management of plants through projects designed to increase operational efficiency, reliability and safety.

Engineering and Innovation Division

In 2011, the Engineering and Innovation Division carried out numerous research and development initiatives and plant construction projects in support of Group activities. It posted revenues of around €397 million, down from 2010 due to the completion of a number of major projects, including the conversion of the Torrevaldaliga Nord plant to clean coal (Civitavecchia) and the delivery of the Algeciras (800 MW CCGT), Escatron (800 MW CCGT) and Ponte Nuevo (324 MW coal) plants in Spain on behalf of E.ON.

In Italy, the project to cover the coal bunkers at the Brindisi plant began, with the first large-scale application of the zero-accident project (ZAP) involving the use of advanced technologies to maximize worksite safety. In addition, the project to convert the Porto Tolle (Rovigo) plant to clean coal (authorization is still pending) with the installation of the associated carbon capture and sequestration system is being reprogrammed.

In Russia, work on Enel OGC-5's Nevinnomysskaya plant (410 MW CCGT) was successfully completed, while the construction of a fly ash evacuation system and environmental upgrading at the Reftinskaya coal-fired plant (3,800 MW) continue.

As a result of the Fukushima tragedy and the referendum held in June calling for the abandonment of nuclear power in Italy, the know-how gained while developing the Italian nuclear power program was used in analyzing the stress tests on the Group's plants called for by the European Commission. As to the other European countries in which the Group operates, work continues in France as part of the team building the Flamanville 3 plant, and in Slovakia, with the construction of two units at the Mochovce 3&4 nuclear power plant. The Nuclear Safety Oversight team also made a careful examination of safety at the Group's nuclear power plants in Slovakia and Spain, promoting the sharing of experience and continual improvement of performance safety.

In research and development, the fine tuning of the Archimede thermal solar plant (5 MW) at Siracusa continued, seeking to improve performance. Work continued at the Livorno research laboratory on testing the leading electricity storage technologies and their integration with renewable resources. Enel also heads the newly-initiated ENCIO project to develop know-how relating to components and materials to be used in high-efficiency (50%) coal plants.

Around 80 cars were delivered in 2011 as part of the pilot program with Daimler-Mercedes within the framework of the e-mobility project to encourage the use of electric cars in Italy in conjunction with the Infrastructure and Networks Division.

Infrastructure and Networks Division

The good technical and financial results for the Infrastructure and Networks Division in 2011 confirm Enel's leadership in energy distribution, with regard to the quality of its service for end users and its operational excellence.

The Division's gross operating margin for the year amounted to €4,285 million, up over 12% from 2010.

Service quality improved even further in terms of the cumulative duration and average number of interruptions per customer, with an average total duration of 44 minutes (45 minutes in 2010) and an average of 3.8 interruptions per customer (4.2 interruptions in 2010). These figures confirm once again Enel's place among the best in Europe for distribution networks of this scale.

The year 2011 was also one of sharp growth in connections of plants generating power from renewable resources, with around 160 thousand new connections for a total of 10,000 MW, a situation that required a considerable effort on the part of territorial units. Despite the fourfold increase in capacity connected as compared with 2010 and a high concentration of requests for connection in certain periods of the year, due to the evolution of the regulatory framework governing incentives, the connection work was carried out in complete compliance with the time limits established by the Authority. Telegestore, Enel's automated remote system for managing its digital meters installed in the homes of all its Italian customers, performed over 7 million contractual operations and took over 400 million remote readings in 2011. In Spain, the Cervantes project, launched in 2010 to install more than 13 million new digital meters by 2015, continued on schedule.

Enel remained a recognized European leader in the field of smart grids, the electricity networks of the future, and chairs the "EDSO (European Distribution System Operators) for Smart Grids" asso-

ciation, through which it defines plans for carrying out European pilot projects and supports them with the help of important industry partners. Other innovative projects in Italy are also being conducted, such as those for the smart grids in Isernia (supported by the Authority) and projects under the Inter-regional Operational Plan (IOP) for the regions of the South, financed by the Ministry for Economic Development.

The public lighting business area 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 and the winning of the CONSIP contract.

The Division also continued to pursue operational excellence in 2011 through projects for sustainable improvement and enhanced efficiency of all processes.

Iberia and Latin America Division

The Division (comparing ordinary operations with like scopes of consolidation) maintained a gross operating margin consistent with previous years, of €7,251 million. These results were significant as they were achieved despite the fact that the economic environment (particularly in Spain) was more difficult than in 2010 and that a number of exceptional events occurred, as described below.

The efficiency enhancement programs implemented by the Division and the synergies achieved with the Enel Group contributed significantly to the achievement of these impressive results, producing recurring annual cash savings of €1,210 million, thereby exceeding the targets one year earlier than planned.

In continental Spain, electricity demand fell by 1.2% compared with 2010, owing to the slowing of the economy. The elimination of the excess gas supply on the market, rising fuel prices, water scarcity and the reduction in nuclear power output caused most of the increase in wholesale electricity prices (around 34% compared with 2010). In 2011, the process of securitizing the electricity rate deficit began and, by the end of the year, around €9.8 billion had been securitized, resulting in a cash inflow of €5,116 million for the Group.

In Europe, the gross operating margin came to €3,994 million, down 2.9% from 2010, comparing ordinary operations and the same scope of consolidation. The decline is attributable to growing competitive pressure in the free market, partially offset by an increase in the operating margin in the regulated market thanks to the impact of the efficiency plans and improvements in the regulatory framework.

In Latin America, the demand for electricity in the countries in which the Group operates rose by 3.9% on average compared with 2010. In 2011, the Division's gross operating margin in those countries amounted to €3,257 million, down 4.5% from 2010 (on an unchanged scope of consolidation basis). The decrease is mainly attributable to unfavorable exchange rate developments vis-à-vis the euro and the recognition of the net-worth tax in Colombia in 2011. If these factors are excluded, the gross operating margin actually rose by 1.3% over 2010, a significant accomplishment given the extraordinary events experienced during the period, such as the severe drought in Chile, which caused hydroelectric output to drop compared with 2010, a year also marked by poor water conditions. This reduction was offset by higher thermal output.

The 2011 electricity distribution results were better than those for 2010, thanks to organic growth, a generally stable regulatory situation and the impact of the efficiency initiatives.

The disposal of non-strategic assets in Latin America continued in 2011, with the sale of CAM, a general services company operating in the electricity distribution sector, and Synapsis, an IT services company, while core skills were kept within the Group. In addition, an agreement to purchase a portfolio of about 245 thousand customers in Madrid was reached with Gas Natural. This transaction, expected to be completed in the 1st Quarter of 2012, is of strategic value for consolidating the

Division's position as the second-leading operator in the Spanish gas market, with an 18% market share in sales, and for reinforcing gas and electricity sales operations.

Upstream Gas Department

In 2011, the Upstream Gas Department made progress towards the Group's goal of implementing selective vertical integration to increase the competitiveness, security and flexibility of Enel's strategic procurement activities to meet its gas requirements (which, in the long term, should exceed 30 billion cubic meters between Italy, Spain, Russia and Latin America).

The Group's total reserves grew by 18% to 1.2 billion barrels of oil equivalent, thanks to exploration in Russia and Italy and becoming a partner with Petroceltic and Sonatrach in the Isarene permit in Algeria, demonstrating the selectiveness and potential of investments made.

The development of assets in the portfolio continued in 2011 in line with plans. Work has been completed on the appraisal with regard to the Isarene permit, and seismic readings and analysis of those readings have been done for the South East Illizi permit (Algeria) and the off-shore permit in Egypt. Finally, the Sambursky gas field in Russia is being developed, and Enel should be able to begin production in 2012 through its subsidiary SeverEnergiya.

International Division

In 2011, despite the persistently weak global economy, the International Division reported a gross operating margin of €1,642 million, up 8.0% over 2010, mainly thanks to the constant attention given to improving operational asset management and the good performance of the Group's markets.

In Slovakia, Slovenské elektrárne posted a gross operating margin of €811 million in 2011, an increase of almost 14% over the previous year. There were significant strides made in nuclear plant availability, which has reached levels in line with the sector benchmarks, in progress on the construction of units 3 and 4 at the Mochovce nuclear power plant, alongside a careful forward sales policy to cover 2012 production. Total net installed capacity in Slovakia amounted to 5,401 MW at December 31, 2011, and will be further increased by 942 MW between 2013 and 2014 with the entry into service of units 3 and 4 of the Mochovce plant.

During the year, Enel OGC-5 in Russia achieved a gross operating margin of €348 million, up 4.2% from 2010, attributable to plant integration and efficiency enhancement work, and to the gradual liberalization of the Russian electricity market. Two new 410 MW CCGT plants in Nevinnomysskaya and Sredneuralskaya were placed in operation, while work continued on modernizing and environmentally upgrading the Reftinskaya coal plant with the support of the Engineering and Innovation Division in order to reach the highest industry standards.

The RusEnergoSbyt sales company continued implementation of the plan for expanding into new regions and diversification of its portfolio, with the acquisition of major new customers, posting a gross operating margin attributable to Enel of €142 million, an increase of more than 43% compared with 2010.

In Romania, the Division's three distribution companies fully met the investment commitments made to the regulator, for a total of about €200 million. Modernizing the grids improved service quality and reduced losses, contributing to the gross operating margin of €205 million, essentially in line with 2010.

An important agreement was reached with the Romanian Ministry for Transportation regarding the payment of a portion of the receivable due from the Romanian railway agency.

In France, Enel France, continuing the expansion of its commercial platform, sold 11.4 TWh of elec-

tricity, mainly thanks to the anticipated capacity contracts with EDF and Group participation in the Flamanville 3 nuclear program with EDF for a total capacity of 1,200 MW. Enel France ended the year with a gross operating margin of €65 million, up 4.4%.

In Belgium, construction of the Marcinelle CCGT plant has reached the final stage and it is expected to enter service in the 1st Quarter of 2012.

Finally, in Bulgaria, the process of selling the Enel Maritza East 3 plant was completed in 2011.

Renewable Energy Division

In 2011, Enel Green Power consolidated its leading position in the renewable energy sector, with total net generation of 22.5 TWh and total net efficiency capacity of 7,079 MW, meeting all the operational and financial commitments under the 2011-2015 business plan.

The additional capacity grew organically by over 880 MW during the year, and total revenues came to €2,539 million. The gross operating margin amounted to €1,585 million, up 21% over 2010.

The company continued to pursue balanced growth in its operations, focusing on all the main renewable generation technologies in markets with the greatest growth potential and stability.

Development efforts were concentrated in Italy, Europe, North America and Latin America. In Italy, the Adrano photovoltaic plant, in the province of Catania, entered service, with an installed capacity of 9 MW. Also entering service was the Portoscuso wind plant in Sardinia, which with 90 MW of capacity and an output of 185 GWh a year is the largest wind plant in Italy.

As regards operations in Europe, in Romania the strong growth in wind power continued, thanks in part to the entry into service of four wind farms, which increased installed capacity to 269 MW, four times the level of the previous year. In France, total installed capacity reached 166 MW, thanks to the installation of three wind farms (64 MW), while in Greece two new plants came on line in the region of Macedonia, with an overall capacity of 43 MW, bringing the country total capacity to 191 MW. In the Iberian peninsula, operations began at four new wind facilities with an overall capacity of about 200 MW, increasing total capacity to more than 1,800 MW.

In the United States, Enel Green Power started operations at the Caney River wind plant in Kansas, which has an installed capacity of more than 200 MW, and started construction of the 150 MW Rocky Ridge wind farm in Oklahoma. The company brought on line a 24 MW photovoltaic plant supplementing the 33 MW Stillwater geothermal plant. This is the first renewable energy project in the world that brings together the generation capacity of a binary cycle geothermal plant with the peak capacity of solar power. Total installed capacity in North America thus rose to more than 1,000 MW.

In Brazil, the Division was awarded contracts for three wind projects in the north-eastern part of the country with a total capacity of 193 MW in the "New Energy" public tender. These join the 90 MW of wind projects that the Division already won in tenders in 2010 and the 93 MW of hydroelectric power already operational in Brazil.

In addition, 2011 saw the start of a program to rationalize the corporate structure in order to extract value from its minority interests, as well as the completion of the organizational integration of Enel Green Power España and the division of the assets of EUFER.

Enel Green Power also completed the launch of an integrated program of activities in the entire photovoltaic area. This was accomplished with the manufacture of high-efficiency photovoltaic panels, with the inauguration of the 3SUN factory (a joint venture with Sharp and STMicroelectronics), the development of solar power projects through the fully-functioning ESSE (a joint venture with Sharp), and new products in the retail segment, with the strategic repositioning of Enel.si.

Outlook

The world macroeconomic environment remains highly uncertain, and there is still little sign of economic recovery in the mature European economies, with GDP forecast to contract in Spain and Italy. In the emerging countries in Eastern Europe, in Russia and in the countries of Latin America, the economies are consolidating and developing.

The Group will therefore continue to pursue growth in those emerging economies, as well as its commitment to renewable energy, with the goal of strengthening its world leadership position in this sector.

In addition, Enel confirms research and technological innovation among its strategic priorities, to make energy production and consumption more efficient and responsible. Enel will also continue to focus constant attention on the quality of service for end users and the value of relationships with local communities through a transparent policy of corporate social responsibility.

The Group will continue to implement initiatives to boost operating efficiency and maximize synergies in all the countries in which it operates, while pursuing rigorous financial discipline in investment decisions in order to improve the consolidated financial position even further.

In this context, the geographical and technological diversification achieved by the Group, together with a well-balanced portfolio of regulated and unregulated businesses, will enable Enel to largely offset the impact that the weakness of the European economies, especially Italy and Spain, could have on the Group's performance.

The Chief Executive Officer
Fulvio Conti

A handwritten signature in black ink, appearing to read 'F. Conti', with a horizontal line extending from the end.

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 30, 2012 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, 2011; and took note of the results of the consolidated financial statements of the Enel Group, also for the year ended December 31, 2011, which closed with net income for the year of €4,148 million;
2. resolved, with regard to Enel SpA's net income for the year 2011, amounting to €2,466,906,096.73, to:
 - 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 24, 2011, after coupon 19 had gone ex-dividend on November 21, 2011, amounting to a total of €940,335,779.50;
 - €0.16 for each of the 9,403,357,795 ordinary shares in circulation on June 18, 2012, the scheduled ex-dividend date, as the balance of the dividend, amounting to a total of €1,504,537,247.20;
 - earmark for "retained earnings" the remainder of the aforesaid net income, amounting to a total of €22,033,070.03; paying, before withholding tax, if any, the aforesaid balance of €0.16 per ordinary share of the 2011 dividend as from June 21, 2012, with the ex-dividend date of coupon 20 falling on June 18, 2012;
3. resolved in favor of the first section of the remuneration report drawn up pursuant to Article 123-ter of Legislative Decree 58 dated February 24, 1998, and Article 84-quater of the Issuers' Regulation adopted by CONSOB with resolution 11971/1999, containing the description of the policy for the remuneration of Directors, General Manager and Executives with strategic responsibilities adopted by the Company for the financial year 2012, as well as the procedures used for the adoption and implementation of such policy.

In the extraordinary session, the shareholders also resolved the harmonization of the Company's Bylaws with the provisions of the Law 120 of July 12, 2011, concerning the equal right of appointment in managing and supervisory bodies of listed companies.

Enel and the financial markets

Main per-share data and capitalization

	2011	2010
Dividend per share (euro)	0.26	0.28
Share price - 12-month high (euro)	4.83	4.23
Share price - 12-month low (euro)	2.84	3.43
Average share price in December (euro)	3.08	3.78
Market capitalization ⁽¹⁾ (millions of euro)	28,961	35,543
No. of shares outstanding at December 31 (millions)	9,403	9,403

(1) Calculated on average share price in December.

	Current ⁽¹⁾	At Dec. 31, 2011	At Dec. 31, 2010	At Dec. 31, 2009
Enel stock weighting in:				
- FTSE MIB index	11.01%	12.98%	10.53%	10.27%
- STOXX Europe 600 Utilities index	9.19%	8.25%	8.07%	8.26%
- Bloomberg World Electric index	2.79%	2.93%	3.16%	3.58%
Rating				
	Current ⁽¹⁾	At Dec. 31, 2011	At Dec. 31, 2010	At Dec. 31, 2009
Standard & Poor's	Outlook	Watch Negative	Watch Negative	Stable
	Medium/long-term	A-	A-	A-
	Short-term	A-2	A-2	A-2
Moody's	Outlook	Negative	Negative	Negative
	Medium/long-term	A3	A3	A2
	Short-term	P2	P2	P1
Fitch	Outlook	Stable	Stable	Stable
	Medium/long-term	A-	A-	A-
	Short-term	F2	F2	F2

(1) Figures updated to March 7, 2012.

The year 2011 was characterized by high volatility. In the 1st Half of the year the world economy grew, driven above all by the emerging economies, where activity continued to expand at a rapid rate. The situation in the advanced countries was mixed: in the 1st Half GDP growth picked up in the euro area (especially in Germany), while Japan experienced a sharp contraction (as the economic impact of the earthquake was worse than

expected) and the United States saw growth slow substantially.

The global macroeconomic environment deteriorated in the 2nd Half of the year, with adverse repercussions on all countries, and the European economies in particular. Beginning in the summer, the tensions surrounding the sovereign debt of the euro-area countries intensified



and spread to nearly all the economies in the area. These strains prompted a series of general downward revisions in growth forecasts for all countries on the part of the major public and private-sector economic institutions. Italy was hit especially hard by the crisis owing to both its large public debt and the weak outlook for growth in the medium term, all of which was confirmed by a decline in electricity demand, especially in the final months of the year.

The deterioration in the economic outlook also impacted share prices. All the euro-area financial markets closed 2011 down on their levels of the previous year. The Italian market registered the largest decline, with the FTSE Italia All Share closing the year down 24.3%, affected above all by the banking and financial sector, which posted heavy losses. The German equity market, represented by the DAX index, posted a decline of 14.7%, while the French CAC-40 index lost 17.9% and the Spanish IBEX-35 index dropped 13.1%.

In this context share prices in the European utilities segment performed in line with developments in the euro-area markets. The Stoxx 600 Utilities index, which groups the largest companies by capitalization listed on the various European markets, closed 2011 down 17%.

As regards Enel shares, the year ended with the stock price at €3.144 per share, down 15.9% from its level at

the end of 2010. The performance was essentially in line with that of the European utilities sector as a whole and better than the performance of Enel's main European competitors (especially the performance of RWE, EDF, E.ON, Iberdrola and GDF).

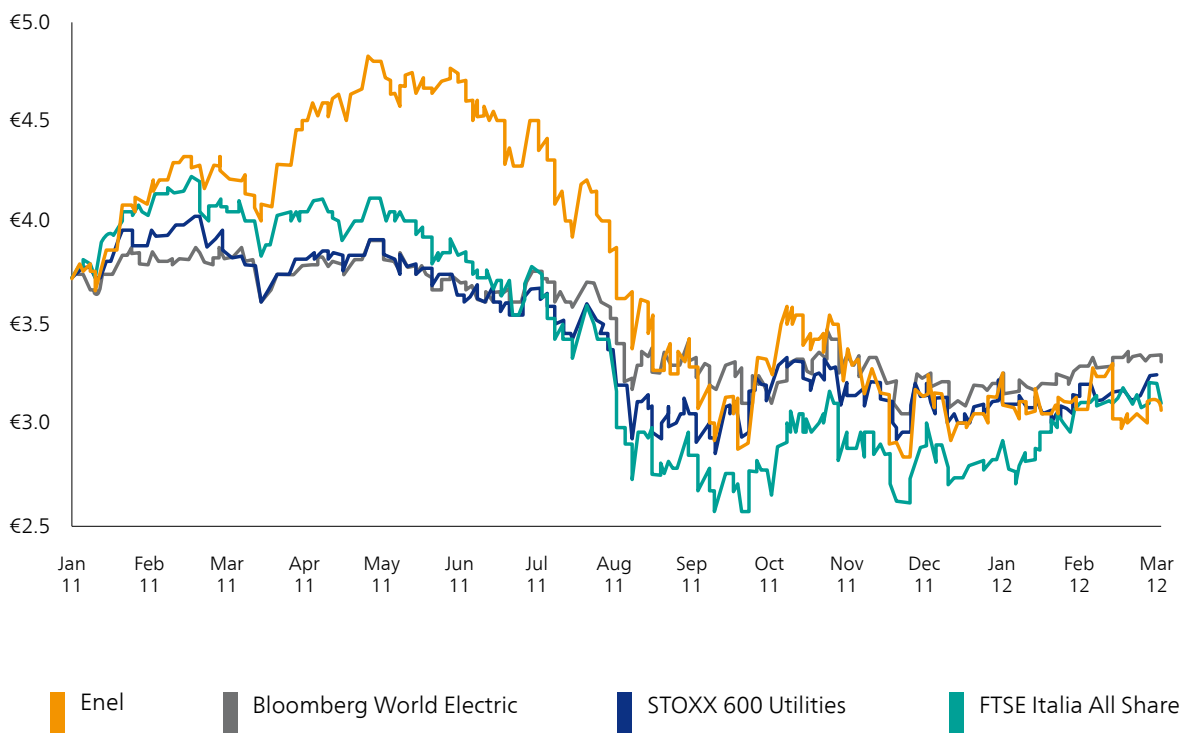
On November 24, 2011, Enel paid an interim dividend on 2011 profits of €0.10 per share, which, together with the dividend paid on June 23, 2011, brought total dividends paid during the year to €0.28 per share.

At December 31, 2011, the Ministry for the Economy and Finance held 31.2% of Enel, while institutional investors 40.3% and individual investors the remaining 28.5%.

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 of 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) and for institutional investors (phone: +39-0683057975; e-mail: investor.relations@enel.com).

Performance of Enel share price and the Bloomberg World Electric, STOXX Europe 600 Utilities and FTSE Italia All Share indexes as at March 7, 2012



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.

On December 31, 2011, the contract for the import of electricity with Alpiq (formerly Atel) on the Swiss border expired. An integral part of the agreement with Atel is the "Settlement Agreement", which essentially provided for Enel and Alpiq to split equally any gains or losses on the contract under certain conditions.

The power imported under the contract is sold to the 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 14, 2010, the Minister for Economic Development:

- > set a price of €66.3/MWh for the 1st Quarter of 2011, providing for the updating of the sales price by the Authority for Electricity and Gas for subsequent quarters with a calculation method based on quarterly indexing of the Single National Price (SNP). The sales price (calculated on the basis of the criterion established at point 5 of Resolution 241/10 of the Authority) for the 2nd, 3rd and 4th Quarters of 2011 were set at €68.84/MWh, €70.73/MWh and €77.76/MWh respectively;
- > for 2011, agreed the allocation of capacity on the Italian-Swiss border by common agreement between the Italian and Swiss authorities.

As in the previous year, the Single Buyer may elect to not draw the electricity under the long-term contract for all of 2011 if prices are not consistent with its forecast for average provisioning costs. While the option remains, at the end of the year 2010 the Single Buyer confirmed its intention to draw the electricity governed by the contract.

Significant events in 2011



31
January

Voluntary early repayment of long-term loan

With effect from January 31, 2011, Enel SpA made a voluntary early repayment totaling €1,831.0 million on the original €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.

11
March

Acquisition of 16.0% of 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 SpA, Edipower SpA, Iren Energia SpA and A2A SpA, totaling 9.6% of CESI's share capital (328,432 shares). On May 25, 2011, Enel SpA acquired further shares in CESI SpA from Tirreno Power SpA, corresponding to 1.5% of the share capital (51,300 shares). Finally, on November 21, 2011, Enel SpA acquired additional shares from Sogin SpA equal to 1.0% of the share capital (34,200 shares). Following the transactions, Enel SpA holds 41.9% of CESI SpA.

29
April

Approval of results for 2010 and distribution of the dividend

On April 29, 2011, the Shareholders' Meeting approved the results for 2010 and the distribution of a total dividend of €2,632.9 million for 2010 as a whole (€0.28 per share), with the balance (€0.18 per share) to be paid as from June 23, 2011, taking account of the interim dividend of €0.10 per share paid in November 2010.

14
September

"Robin Hood Tax"

On September 14, 2011, Decree Law 138 of August 12, 2011, setting out the so-called "second budget adjustment", ratified into law. This act contains, *inter alia*, an amendment of the provisions of the so-called "Robin Hood Tax". Specifically, the law raises the corporate income tax (IRES) surtax from 6.5% to 10.5% over three years and extends the scope of application of the surtax to electricity and gas distribution and transmission companies and to companies in the renewable energy sector (regardless of the type of resource used).

28
September

Interim dividend for 2011

On September 28, 2011, 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 24, 2011, with the ex-dividend date falling on November 21, 2011.

5
October

Revision of Enel rating by Moody's

On October 5, 2011, Moody's rating agency announced that it had lowered its long-term rating for Enel SpA to "A3" (previously "A2") and its short-term rating to "Prime-2" (previously "Prime-1"). It also issued a negative outlook. The change in Enel's rating is linked to the recent decision by Moody's to lower its rating for Italian government debt.

9
November

New bond issue

On November 9, 2011, the Board of Directors of Enel SpA approved, 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, the issue of one or more bonds by December 31, 2012, for a total of up to €5 billion. The bonds will be placed with institutional or retail investors, depending upon the opportunities presented by the market.

The bonds may be issued directly by Enel SpA or by its Dutch subsidiary Enel Finance International NV (guaranteed by the Parent Company), depending upon the opportunities this second option may present for placement of the bonds on foreign markets.

The Board of Directors delegated to the CEO the task of setting the amounts, currencies, timing and characteristics of the individual issues, with the option of seeking a listing on one or more regulated markets.

At the same time, the Board of Directors also revoked its resolution of June 16, 2011, without prejudice to the validity and the effects of the issues carried out and the guarantees granted in execution of that resolution, authorizing the issue of one or more bonds by December 31, 2012, for a total of up to €5 billion, to be placed with institutional or retail investors.

In execution of the resolution of the Board of Enel SpA of June 16, 2011, Enel Finance International NV (guaranteed

by the Parent Company) placed the following bonds with institutional investors:

- > a placement, completed on July 12, 2011, for a total of €1,750 million, with a weighted average maturity of about 7.7 years and a weighted average rate of about 4.66%;
- > a placement, completed on October 24, 2011, for a total of €2,250 million, with a weighted average maturity of about 5.16 years and a weighted average rate of 5.28%.

30
November

Sale of 51% of Deval SpA and Vallenergie SpA to CVA

On November 30, 2011, Enel SpA and Compagnia Valdostana delle Acque - Compagnie Valdôtaine des Eaux SpA (CVA) completed the sale, pursuant to the agreement signed on October 24, 2011, of Enel's 51% stakes in Deval SpA and Vallenergie SpA to CVA for a total of around €40 million. CVA already held the remaining 49% stakes in both companies. The transaction was completed following receipt of the authorization of the Competition Authority.

8
December

Revision of Enel rating by Standard & Poor's

On December 8, 2011, Standard & Poor's placed a negative creditwatch on its current long-term credit rating of "A-" for Enel SpA.

The change follows a similar rating review implemented a few days previously by Standard & Poor's on the credit rating for Italian government debt and takes account of the ownership structure of Enel, where the Italian government has a stake of about 31% in the Company.

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 consolidated financial statements, which management feels are useful in monitoring performance and representative of the financial performance of the Company's business.

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

- > *Gross operating margin*: an operating performance indicator, calculated as "Operating income" plus "Depreciation, amortization and impairment losses".
- > *Net non-current assets*: calculated as the difference between "Non-current assets" and "Non-current liabilities" with the exception of:
 - "Deferred tax assets";
 - "Financial receivables due from other entities" and "Receivables due from subsidiaries" reported under "Non-current financial assets";
 - "Long-term loans";
 - "Post-employment and other employee benefits";
 - "Provisions for risks and charges";
 - "Deferred tax liabilities".
- > *Net current assets*: calculated as the difference between "Current assets" and "Current liabilities" with the exception of:
 - "Financial receivables" and "Loans to 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 809/2004/EC 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 2011 and 2010:

Millions of euro

	2011	2010	Change
Revenues			
Revenues from sales and services	732.0	669.5	62.5
Other revenues and income	29.8	6.8	23.0
Total	761.8	676.3	85.5
Net proceeds from sale of equity investments	-	731.4	(731.4)
Costs			
Electricity purchases and consumables	360.8	341.8	19.0
Services, leases and rentals	275.6	267.3	8.3
Personnel	117.8	98.8	19.0
Other operating expenses	70.2	40.7	29.5
Total	824.4	748.6	75.8
Gross operating margin	(62.6)	659.1	(721.7)
Depreciation, amortization and impairment losses	33.3	22.3	11.0
Operating income	(95.9)	636.8	(732.7)
Net financial income/(expense) and income from equity investments			
Income from equity investments	3,222.9	3,368.8	(145.9)
Financial income	2,826.3	2,086.7	739.6
Financial expense	3,698.4	3,219.2	479.2
Total	2,350.8	2,236.3	114.5
Income before taxes	2,254.9	2,873.1	(618.2)
Income taxes	(212.0)	(243.4)	31.4
NET INCOME FOR THE YEAR	2,466.9	3,116.5	(649.6)

Revenues from sales and services totaled €732.0 million (€669.5 million in 2010), and regard:

- > *revenues from electricity sales* of €374.4 million (€350.8 million in 2010), mainly attributable to sales of imported electricity to the Single Buyer in the amount of €373.2 million (€346.5 million in 2010);
- > *revenues from services* of €357.6 million (€318.7 million in 2010), essentially in respect of assistance and consulting services provided to Group companies (€355.9 million in 2011 compared with €317.5 million in 2010).

The increase of €23.6 million in revenues from electricity sales compared with 2010 was mainly due to the increase in the average price of electricity sales to the Single Buyer, while the increase in revenues from services over the previous year (€38.9 million) is largely due to a rise in revenues from management fees and services rendered to Group companies.

Other revenues and income came to €29.8 million, an increase of €23.0 million over 2010, mainly attributable to

proceeds (€21.1 million) from the sale of Enel SpA's 51% stake in the share capital of Deval SpA to Compagnia Valdostana delle Acque - Compagnie Valdôtaine des Eaux SpA (CVA).

Net proceeds from the sale of equity investments in 2010 were comprised mainly of the gain, net of transaction costs, on the sale of 30.8% of the holding in Enel Green Power SpA through a global public offering.

Cost for **electricity purchases and consumables** came to €360.8 million, of which €359.0 million for the purchase of 5,256.0 million kWh of electricity. The increase of €19.0 million on the previous year is essentially due to the rise in the average price of electricity purchased from Alpiq.

Costs for **services, leases and rentals** amounted to €275.6 million, of which charges from third parties in the amount of €188.5 million and from Group companies in the amount of €87.1 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 Energy Services Operator (ESO) and the Energy Markets Operator (EMO). Those provided by Group companies regard IT and administrative services and purchasing, as well as leases and rentals and personnel training provided by Enel Servizi, and costs for the personnel of a number of Group companies seconded to Enel SpA. The total increase of €8.3 million on 2010 is largely due to higher costs in respect of services and leases and rentals provided by subsidiaries (€12.9 million), partially offset by lower costs for services rendered by non-Group vendors (€4.6 million).

Personnel costs totaled €117.8 million and regarded an average workforce of 850 (772 in 2010). The total was up €19.0 million, mainly due to the change in the average workforce and to higher costs associated with long-term incentive plans for Company management.

Other operating expenses amounted to €70.2 million, an increase of €29.5 million on the previous year, essentially due to expenses related to the sale of the stake held in Sviluppo Nucleare Italia to the subsidiary Enel Ingegneria e Innovazione in December 2011 (€24.0 million).

The **gross operating margin** came to a negative €62.6 million, a deterioration of €721.7 million on the previous year. Excluding the item "Net proceeds from the sale of equity investments", which in the comparative period was essentially composed of the gain on the sale of the 30.8% stake held in Enel Green Power, the gross operating margin would show an increase of €9.7 million on 2010, essentially attributable to the improvement in operations.

Depreciation, amortization and impairment losses came to €33.3 million, of which depreciation of property, plant and equipment of €1.8 million, amortization of intangible assets of €8.8 million and impairment losses of €22.7 million. The latter essentially regard the writedown of the investments in Enel.NewHydro and Enelpower to take account of management's assessment of the recoverability of the cost recognized on the balance sheet.

Operating income amounted to a negative €95.9 million, a deterioration of €732.7 million compared with 2010. The performance reflects the recognition in 2010 of net proceeds from the sale of equity investments (€731.4 mil-

lion) and the impact of the writedowns of the investments mentioned above.

Income from equity investments amounted to €3,222.9 million (€3,368.8 million in 2010). The item regards dividends approved in 2011 by subsidiaries in the amount of €3,201.3 million and other equity investments in the amount of €21.6 million, of which €21.5 million earned and approved by Terna SpA.

Net financial expense totaled €872.1 million, a decrease of €260.4 million on the previous year, reflecting the recognition of the effects of the bonus shares that, having been granted in 2010 in the global public offering of Enel Green Power shares, were exercised by December 31, 2011, generating net income of €42.1 million, compared with net expense of €89.3 million recognized in 2010. An additional decline in financial expense is attributable to a decrease in net charges on derivative instruments hedging interest rates (€81.7 million) and the increase in interest income and other income on current financial assets (€55.6 million), mainly due to greater interest income on the intercompany current account.

Income taxes showed a tax receivable of €212.0 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.

The estimate of income taxes also takes 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 tax rate on pre-tax income was a negative 9.4% in 2011, compared with a negative 8.5% in 2010.

Net income for the year came to €2,466.9 million, compared with net income of €3,116.5 million in 2010, which benefited from the "Net proceeds from the sale of equity investments" mentioned above.

Analysis of Enel's financial position

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Net non-current assets:			
- property, plant and equipment and intangible assets	22.9	20.2	2.7
- equity investments	38,758.9	38,830.9	(72.0)
- other non-current assets/(liabilities)	(598.6)	(660.8)	62.2
Total	38,183.2	38,190.3	(7.1)
Net current assets:			
- trade receivables	573.5	542.0	31.5
- net other current assets/(liabilities)	(423.7)	(358.4)	(65.3)
- trade payables	(328.6)	(350.0)	21.4
Total	(178.8)	(166.4)	(12.4)
Gross capital employed	38,004.4	38,023.9	(19.5)
Provisions:			
- post-employment and other employee benefits	(350.2)	(363.1)	12.9
- provisions for risks and charges and net deferred taxes	129.8	168.9	(39.1)
Total	(220.4)	(194.2)	(26.2)
Non-current assets classified as held for sale	-	-	-
Net capital employed	37,784.0	37,829.7	(45.7)
Shareholders' equity	24,190.0	24,515.6	(325.6)
NET FINANCIAL DEBT	13,594.0	13,314.1	279.9

Net non-current assets amounted to €38,183.2 million, a decrease of €7.1 million, mainly due to:

- > a net decrease of €72.0 million in the carrying amount of equity investments, essentially attributable to write-downs for impairment (€78.0 million) and disposals (€53.6 million), partially offset by increases due to re-capitalizations (€39.2 million) and the acquisition of stakes in associated companies (€19.7 million);
- > a decrease of €62.2 million in net other non-current liabilities mainly due to the net increase in the value of derivative contracts classified as non-current financial assets/liabilities (totaling €74.1 million).

Net current assets came to a negative €178.8 million, a decrease of €12.4 million on December 31, 2010. The change is essentially attributable to:

- > a €65.3 million increase in net other current liabilities mainly as a result of higher tax payables in respect of corporate income taxes for companies participating in the consolidated tax mechanism (€176.5 million), partially offset by the increase in the income tax receivable in respect of Enel SpA (€94.3 million) and the net increase in the value of derivative contracts classified as current financial assets/liabilities (totaling €31.4 million);

- > an increase of €31.5 million in trade receivables, particularly from Group companies (€27.4 million), essentially due to the increase in revenues from management and service fees;
- > a decrease of €21.4 million in trade payables, essentially in respect of third parties as a result of lower expenses incurred on the disposal of companies in 2011.

Net capital employed at December 31, 2011 came to €37,784.0 million, funded by shareholders' equity of €24,190.0 million and net financial debt of €13,594.0 million.

Shareholders' equity totaled €24,190.0 million at December 31, 2011, a decrease of €325.6 million on the previous year. This change is mainly attributable to the recognition of net income for the year of €2,307.3 million, net of the distribution of the balance of the dividend for 2010 of €1,692.6 million (€0.18 per share) and the payment of the interim dividend for 2011 of €940.3 million (€0.10 per share), which was authorized in September 2011 and paid in November of that year.

Net financial debt came to €13,594.0 million, at the end of the year, with a debt/equity ratio of 0.56 (0.54 at the end of 2010).

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, 2011	at Dec. 31, 2010	Change
Long-term debt:			
- bank loans	1,307.0	4,161.7	(2,854.7)
- bonds	14,275.8	15,366.9	(1,091.1)
- debt assumed and loans from subsidiaries	2,500.0	2,797.2	(297.2)
<i>Long-term debt</i>	<i>18,082.8</i>	<i>22,325.8</i>	<i>(4,243.0)</i>
- financial receivables from others	(159.4)	(152.7)	(6.7)
- debt assumed and loans to subsidiaries	(165.5)	(181.0)	15.5
Net long-term debt	17,757.9	21,992.1	(4,234.2)
Short-term debt/(liquidity):			
- short-term portion of long-term debt	4,113.3	805.5	3,307.8
- short-term bank debt	636.4	40.0	596.4
- cash collateral received	642.1	306.0	336.1
<i>Short-term debt</i>	<i>5,391.8</i>	<i>1,151.5</i>	<i>4,240.3</i>
- short-term portion of long-term financial receivables	(0.3)	(0.6)	0.3
- short-term portion of loans assumed/granted	(15.5)	(17.0)	1.5
- short-term loans to Group companies	(120.0)	-	(120.0)
- other financial receivables	(22.3)	(1.3)	(21.0)
- cash collateral paid	(593.1)	(662.6)	69.5
- net short-term financial position with Group companies	(6,972.5)	(7,031.0)	58.5
- cash and cash equivalents	(1,832.0)	(2,117.0)	285.0
Net short-term debt/(liquidity)	(4,163.9)	(8,678.0)	4,514.1
NET FINANCIAL DEBT	13,594.0	13,314.1	279.9

At December 31, 2011, net financial debt amounted to €13,594.0 million, an increase of €279.9 million as the net result of a decrease in net long-term financial debt in the amount of €4,234.2 million, more than offset by a decrease in net liquidity of €4,514.1 million.

The decrease in net long-term financial debt, amounting to €4,234.2 million, is mainly due to:

- > voluntary repayments in the amount of €1,831.1 million on the original €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;
- > an early repayment in the amount of €300.0 million of the intercompany loan with Enel Investment Holding BV;
- > the reclassification of the current portions of long-term debt (totaling €2,213.3 million) to short-term debt.

The decrease in net short-term liquidity (€4,514.1 million) is mainly attributable to:

- > the reclassification of the portions of long-term debt maturing by December 31, 2012 (totaling €2,213.3 million) mentioned above;
- > the utilization of credit lines from banks totaling €2,636.4 million.

Cash flows

Millions of euro

	2011	2010	Change
Cash and cash equivalents at the start of the year	2,117.0	995.2	1,121.8
Cash flows from operating activities	2,477.4	3,083.7	(606.3)
Cash flows from investing/disinvesting activities	(7.5)	2,411.0	(2,418.5)
Cash flows from financing activities	(2,754.9)	(4,372.9)	1,618.0
Cash and cash equivalents at the end of the year	1,832.0	2,117.0	(285.0)

Cash flows from operating activities came to a positive €2,477.4 million, compared with €3,083.7 million the previous year, a decrease of €606.3 million, essentially due to a decline in dividends received.

Cash flows from investing activities were a negative €7.5 million (positive €2,411.0 million the previous year), and essentially regard the outlays for the acquisition of 16.0% of Cesi SpA (€19.7 million), the recapitalization of Sviluppo Nucleare Italia (€14.2 million) and investments in property, plant and equipment and intangible assets (€13.3 million). These positive factors were partially offset by receipts of €39.7 million from the sale of the stakes held in Deval and Vallenergie. Cash flows from investing activities declined by €2,418.5 million compared with the previous year primarily due to the recognition of the net receipt from the sale of 30.8% of Enel Green Power SpA in 2010.

Cash flows in respect of financing activities used liquidity in the amount of €2,754.9 million, mainly for repayment of long-term loans (€2,937.0 million), the payment of the balance of the dividend for 2010 and the interim dividend for 2011 (a total of €2,632.9 million). These effects were partially offset by the liquidity from the utilization of long-term credit lines from banks (€2,000.0 million).

In 2011 the cash flows from operating activities, a positive €2,477.4 million, generated the cash flows needed to partially cover investing activities (€7.5 million) and financing activities (€2,754.9 million). The difference results from the decline in cash and cash equivalents, which amounted to €1,832.0 million at December 31, 2011, compared with €2,117.0 million a year earlier.

Results of the main subsidiaries

Enel Produzione SpA

In 2011, Enel Produzione delivered 63.1 TWh (64.4 TWh in 2010) of electricity to the grid, 50.7 TWh of which from thermal generation and 12.4 TWh from hydroelectric generation. Compared with 2010, energy delivered fell by 1.3 TWh. This change was due to the reduction in power generated from renewable sources (4.3 TWh), partly as a result of the change in scope of power plants as a result of the transfer of the hydroelectric plants (major water diversions) in the Province of Bolzano to SE Hydropower Srl on June 1, 2010; the disposal of the hydroelectric plants (small water diversions) in the Province of Bolzano to the same company on January 1, 2011; and the transfer of the San Floriano and Stramentizzo plants to SF Energy Srl on November 1, 2011. The decline in renewable generation was partially offset by an increase in thermal generation (3.0 TWh) due, in part, to the start of full coal-fired operations of the Torrealvaldiga Nord plant.

Electricity sales, including quantities purchased from SE Hydropower and SF Energy (totaling 2.2 TWh), were conducted under bilateral contracts, mainly with Enel Trade (40.3 TWh, equal to 61.7%) and on the Power Exchange (24.6 TWh, or 37.8%), with the remaining 0.4 TWh (0.5%) related to subsidized energy. In 2011, CO₂ emissions totaled 36.9 million metric tons, while allowances assigned totaled 38.1 million metric tons at December 31, 2011.

During 2011, the most important corporate events and extraordinary operations for the company were as follows:

- > on January 1, 2011, the sale of the business unit denominated "Small hydroelectric water diversion concession in the Province of Bolzano" to the subsidiary SE Hydropower Srl;
- > the sale of the non-controlling interests in Platani Energia Ambiente Scpa and Tifeo Energia Ambiente Scpa to Elettroambiente SpA for a total of €0.8 million;
- > the sale of the preliminary agreement for subsidized power generation (in accordance with CIP 6/1998) re-

lated to the Mercure biomass plant to Powerflor Srl for €18.6 million;

- > the incorporation of Energy Hydro Piave Srl on July 15, 2011, with 51.0% held by Enel Produzione and the remaining 49.0% held by En & En SpA, which was then appointed to obtain the concessions for the construction of two new hydroelectric plants in Busche and Villanova in the Province of Verona;
- > the acquisition of a 33.3% equity interest in SF Energy Srl, in which Dolomiti Energia SpA and SEL Srl were already shareholders, after transferring the "San Floriano Plant" business unit and cash consideration;
- > the granting of a €1.0 million 1-year loan to the associated company Compagnia del Porto di Civitavecchia SpA;
- > the recognition of credits by the Authority for Electricity and Gas (the Authority) totaling €100.8 million for 2010 CO₂ allowances related to the Torrealvaldiga Nord plant, now coal fired, which had not been granted free of charge due to the depletion of the reserve for new entrants. In addition, the national committee for the management of Directive 2003/87/EC and for assistance in managing activities related to the Kyoto protocol established the number of CO₂ allowances to be granted to Enel Produzione for the aforementioned plant for the period from 2010 to 2012. Consequently, the company estimated credits due for 2011 at €102.9 million.

Revenues for 2010 totaled €7,346.6 million (compared with €6,851.7 million in 2010) and relate essentially to:

- > revenues from electricity sales to third parties in the amount of €3,904.0 million (€4,525.9 million in 2010), a decline of €621.9 million due mainly to the lower quantities sold;
- > revenues from electricity sales to Group companies in the amount of €2,825.4 million (€2,103.7 million in 2010), an increase of €721.7 million due essentially to the greater quantities sold under bilateral contracts with Enel Trade;

- > revenues from contract work in progress in the amount of €26.5 million (€25.3 million in 2010) related to orders currently being executed on behalf of Enel Green Power SpA and SE Hydropower Srl;
- > other revenues and income in the amount of €470.3 million (€132.3 million in 2010), an increase of €338.0 million over the previous year due mainly to the increase in capital gains realized (€183.1 million), which was essentially related to the business units transferred to SE Hydropower and SF Energy, and to an increase in revenues related to the recognition of CO₂ allowances granted for new entrants (€173.4 million).

Operating costs for 2011 came to €6,108.7 million (€5,979.1 million in 2010), an overall increase of €129.6 million due mainly to the following:

- > a €369.1 million increase in costs for the purchase of raw materials and consumables related essentially to the purchase of fuel and electricity;
- > an €80.5 million decrease in costs for services related mainly to the decline in fees related to energy sales, costs for maintenance and repairs and insurance costs;
- > a €32.3 million decrease in personnel costs connected with the positive effects of the reversal of the liability recognized for the "electricity discount" for current employees, who, under agreements with the unions during the year, will no longer receive this benefit, which will be replaced with measures to support and develop supplemental retirement schemes;
- > a €4.9 million decline in depreciation, amortization and impairment losses due essentially to a decline in depreciation and amortization, which was partially offset by an increase in impairment losses;
- > a €127.4 million decrease in other operating expenses due mainly to a decline in provisions for risks and charges and lower costs for green certificates and CO₂ emission allowances related to the purchase of CERs.

Net income from commodity risk management came to €118.2 million (€666.9 million in 2010), a decline of €548.7 million due essentially to a decrease in net income recog-

nized on contracts for differences (€606.4 million) and on contracts to hedge the exchange rate risk associated with commodities (€211.1 million), partially offset by a reduction in net charges for commodity price hedges (€259.1 million).

Operating income amounted to €1,356.1 million, down €183.4 million from 2010.

Net financial expense and charges in respect of equity investments amounted to €73.7 million (€64.0 million in 2010). The €9.7 million increase is related, above all, to the increase in interest expense on the intercompany current account with the Parent Company (€36.4 million). This was partially offset by dividends paid during the year by the subsidiary SE Hydropower (€6.1 million), interest income on receivables for the additional fee pursuant to Law 266/2005 (€6.9 million), lower net charges on derivative contracts on interest and exchange rates (€4.7 million) and greater capitalized interest expense on qualifying assets (€4.6 million).

Net income for the year, after income taxes of €493.7 million, came to €788.7 million (€959.1 million in 2010).

Capital expenditure on property, plant and equipment and intangible assets amounted to €411.3 million (€627.2 million in 2010).

Net capital employed totaled €11,313.1 million at December 31, 2011 (€11,343.0 million at December 31, 2010), and is made up of net non-current assets of €11,561.4 million, net current assets of €285.3 million, and provisions and net deferred taxes of €533.6 million.

This capital employed is funded by **shareholders' equity** in the amount of €6,843.9 million (€7,161.4 million at December 31, 2010) and **net financial debt** in the amount of €4,469.2 million (€4,181.6 million at December 31, 2010).

The **workforce** at December 31, 2011 numbered 5,808, compared with 6,030 at December 31, 2010.

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 2011, Enel Green Power SpA delivered 11.6 TWh (12.2 TWh in 2010) of electricity to the grid, 5.7 TWh of which from hydroelectric generation (6.4 TWh in 2010), 5.3 TWh from geothermal (5.1 TWh in 2010), and 0.6 TWh (0.7 TWh in 2010) from other sources (wind and photovoltaic). Compared with the previous year, electricity delivered fell by 0.6 TWh, due essentially to the decline in hydroelectric generation owing to the effect of the exceptional water availability in 2010 and wind generation, as a result of lower wind availability. This was partially offset by an increase in geothermal output thanks to increased resource availability, mainly in the area of Larderello, Carboli and Monteverdi.

Energy sales were conducted mainly on the Power Exchange in the amount of 6.3 TWh (8.2 TWh in 2010) and under bilateral contracts in the amount of 5.1 TWh (3.4 TWh in 2010), essentially with Enel Trade. Finally, sales of electricity at subsidized prices to the ESO totaled 0.2 TWh (0.6 TWh in 2010), a decline of 0.4 TWh as a result of the expiration of the subsidized CIP 6/92 mechanism that had applied to a number of hydroelectric plants.

During 2011, the most important corporate events and extraordinary operations for the company were as follows:

- > the €400.0 million recapitalization of the subsidiary Enel Green Power International BV in order to give the company the financing needed to recapitalize Enel Green Power France, Enel Green Power Hellas, Enel Green Power Romania and Enel Green Power North America;
- > the €1.0 million recapitalization of the subsidiary Taranto Solar Srl;
- > the purchase for €11.0 million of 15% of Terrae SpA, a company for the conversion and development of the sugar beet industry;
- > the acquisition, for €8.9 million, of 100% of Iris 2006 Srl, the owner of a wind project in the city of Cutro (Crotona) with a total authorized capacity of 46 MW;
- > the acquisition, for €0.4 million, of 80% of Enel Green Power San Gillio Srl (formerly Agatos Green Power San

Gillio Srl), which was then recapitalized in the amount of €2.0 million. The company is the owner of a photovoltaic project under construction in the city of San Gillio (Turin) with a capacity of about 4.8 MW;

- > the acquisition, for €1.4 million, of 100% of Enel Green Power Canaro Srl (formerly Tecnoservice Srl).

Revenues for 2011 totaled €1,216.7 million (€1,119.3 million in 2010) and were essentially made up of revenues from the sale and transport of electricity in the amount of €872.4 million (€854.1 million in 2010), revenues from the sale of green certificates in the amount of €212.8 million (€199.5 million in 2010), and revenues from other sales and services in the amount of €99.8 million (€45.6 million in 2010).

Operating costs came to €717.0 million (€667.3 million in 2010), comprised mainly of €316.0 million in depreciation and amortization (€313.9 million in 2010), €206.1 million in costs for services (€156.1 million in 2010), €128.3 million in personnel expenses (€115.8 million in 2010), and €61.2 million in costs for raw materials and consumables (€62.4 million in 2010).

The €49.7 million increase in operating costs compared with the prior year mainly reflects the increase in both costs for services provided to Enel Green Power subsidiaries and personnel expenses due to the average increase in the workforce, effects which were partially offset by a decline in net allocations to provisions for risks and charges.

Net charges from commodity risk management came to €6.6 million (compared with net income of €80.2 million in 2010) and regard net realized charges on derivative contracts on commodities closed in 2011.

Operating income came to €493.1 million (€532.2 million in 2010).

Net financial expense and charges in respect of equity investments, in the amount of €53.2 million (€26.5 million in 2010), increased by €26.7 million due essentially to the increase in interest expense on the long-term loan received from Enel Green Power International BV, which was partially offset by lower interest expense on the inter-company current account with Enel SpA.

Net income for the year, after income taxes of €192.7 million, came to €247.2 million, a decline of €97.1 million compared with 2010.

Capital expenditure on property, plant and equipment and intangible assets amounted to €339.4 million (€424.6 million in 2010).

Net capital employed totaled €8,571.8 million at December 31, 2011 (€8,218.6 million at December 31, 2010), and is made up of net non-current assets of €8,530.7 million (€8,055.2 million at December 31, 2010), net current assets of €4.2 million (€175.2 million at December 31, 2010), and provisions and net deferred taxes of €36.9 million (€11.8 million at December 31, 2010).

Net capital employed is funded by shareholder's equity of €6,396.3 million (74.6%) and net financial debt of €2,175.5 million (25.4%).

At December 31, 2011, **shareholders' equity** totaled €6,396.3 million, an increase of €93.6 million from December 31, 2010, due essentially to the net income posted during the year (€247.2 million), partially offset by the dividend paid for 2010 (€136.0 million) and by the reduction of the reserve from the measurement of cash flow hedge derivatives (€17.8 million).

The **workforce** at December 31, 2011 numbered 1,756, compared with 1,682 at December 31, 2010.

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 of June 18, 2007 (ratified with Law 125 of August 3, 2007), containing urgent measures for implementation of European Community regulations concerning the liberalization of the energy markets, Enel Distribuzione has engaged solely in the business of the transport and metering of electricity in Italy.

In 2011, the company distributed a total of about 245.2 TWh of electricity (down 0.4% from the 246.3 TWh registered in 2010) to some 31 million end users (on the free, enhanced protection and safeguard markets). Adjusting for the effects of the change in scope following the sale of the business unit related to "Electricity distribution in the Province of Bolzano" effective as of December 31, 2010, this performance represents a 0.3% increase, reflecting the rise in electricity demand in Italy (332.3 TWh in 2011 compared with 326.2 TWh in 2010).

The main financing agreements finalized in 2011 include:

- > the signing, on October 1, 2011, of a 20-year financing agreement in the amount of €350.0 million with the European Investment Bank (EIB) aimed at financing a portion of the investments related to increasing the efficiency of the Italian power grid as called for in Enel Distribuzione's business plan for 2012-2014. This loan, which was disbursed in 2011, is backed by

a Parent Company guarantee issued by Enel SpA;

- > the signing, on October 24, 2011, of an increase to €1.0 billion of the "Framework Financing Agreement" granted on April 23, 2009 by Cassa Depositi e Prestiti (CDP) for an original total of €800.0 million (which was used in its entirety in 2010), which resulted in CDP disbursing a further €200.0 million in financing in 2011 using funds granted by the EIB and falling due in 2028. This additional financing is backed by a Parent Company guarantee issued by Enel SpA.

Revenues for 2011 totaled €7,348.9 million (€7,286.8 million in 2010) and included:

- > revenues from the transport of electricity, including the effect of equalization mechanisms, totaling €5,895.4 million (€6,223.1 million in 2010). Compared with the prior year, this is a reduction of €327.7 million, due essentially to the impact of the recognition during 2010 of the rate component for the early disposal of electro-mechanical meters (€691.0 million), which was partially offset by an increase in revenues from energy transport related to prior years (€335.3 million);
- > other revenues, in the amount of €1,453.5 million (€1,063.7 million in 2010), which increased by €389.8 million over the previous year, due essentially to the increase in network connection fees and other ancillary fees (€173.5 million), the increase in the grant for

white certificates recognized for the 2010 requirement (€68.9 million), and the increase in service continuity bonuses (€64.8 million).

Operating costs amounted to €4,031.4 million (€4,419.2 million in 2010), a decrease of €387.8 million due mainly to the following:

- > the reduction in personnel expenses, in the amount of €325.1 million, due to the positive effects of the reversal of the liability recognized for early retirement incentives (€113.4 million) and for the electricity discount benefit (€84.4 million) for current employees, who, un-

the prior year related to the generator connections for plant constructed by December 31, 2010 (a reversal of €64.1 million in 2011 against an allocation of the same amount in 2010);

- > an increase in materials consumed, in the amount of €106.2 million, used partly for sales to third parties (€59.6 million) and partly for in-house work (€46.6 million).

Operating income for 2011, which totaled €3,317.5 million (€2,867.6 million in 2010), increased by €449.9 million over the previous year.



der agreements with the unions during the year, will no longer receive this benefit, which will be replaced with measures to support and develop supplemental retirement schemes;

- > a decrease in allocations to provisions for risks and charges, in the amount of €167.2 million, due essentially to the reversal in 2011 of the allocation made in

Net financial expense and charges in respect of equity investments, in the amount of €174.9 million (€156.9 million in 2010), increased by €18.0 million due essentially to the increase in interest expense accrued on the intercompany current account with the Parent Company (€20.8 million).

Net income for the year came to €1,865.7 million (€1,765.9 million for 2010), net of income taxes for the year of €1,276.9 million (€944.8 million in 2010).

Capital expenditure on property, plant and equipment and intangible assets amounted to €1,346.5 million (€1,119.2 million in 2010).

Net capital employed totaled €11,274.6 million at December 31, 2011 (€12,079.9 million at December 31, 2010), and is made up of net non-current assets of €14,240.9 million, negative net current assets of €2,140.1 million, provisions and net deferred taxes of €833.4 million, and net assets held for sale of €7.2 million. Net capital employed is funded by shareholders' equity of €8,985.8 million (79.7%) and net financial debt of €2,288.8 million (20.3%).

The **workforce** at December 31, 2011 numbered 18,637, compared with 18,681 at December 31, 2010.

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 337/2007 of the Authority for Electricity and Gas, these customers were assigned on the basis of a tender to free market electricity vendors as from May 1, 2008.

In 2011, the demand for electricity in Italy totaled 332.3 TWh (326.2 TWh in 2010). Electricity sold by Enel Servizio Elettrico SpA during the year totaled 63.4 TWh and was sold entirely on the enhanced protection market.

In 2011, the Authority, with Resolution ARG/elt 127/11, adjusted the amount of the supplementation mechanism concerning remuneration of the additional costs incurred by those providing transitional safeguard services as a result of difficulties in collecting receivables from customers temporarily served on the safeguard market, reducing the payment from €91.1 million (as calculated under Resolution ARG/elt 190/10) to €60.0 million. For Enel Servizio Elettrico, this resulted in a €31.1 million reduction in rate-related revenues related to prior years.

In the latter part of 2011, the company began negotiations with a number of banks and factoring companies in order to assess the feasibility of the non-recourse assignment of its trade receivables in respect of mass-market customers.

These negotiations resulted in the non-recourse assignment of trade receivables in December 2011, involving €1,240.8 million in receivables for invoices issued and €836.0 million for receivables yet to be invoiced.

In 2011, €1,994.0 million of these receivables (net of total transaction costs of €47.3 million) were collected, and the

remaining portion (€35.5 million) was reclassified under "short-term financial receivables and securities".

The net financial benefit of the assignment of receivables at December 31, 2011 totaled €1,270.8 million (€79.8 million at December 31, 2010), down €434.8 million for receivables in respect of invoices issued and €836.0 million for receivables in respect of invoices to be issued.

The liquidity received upon completing the non-recourse factoring of trade receivables (€1,200.0 million) was invested by way of a long-term deposit agreement with Enel Finance International NV.

Revenues for 2011 totaled €10,066.9 million and were mainly related to revenues from the sale and transport of electricity in the amount of €9,397.6 million, as well as to grid-connection fees in the amount of €455.3 million. Compared with 2010, revenues declined by €385.0 million due essentially to a decrease in revenues from the sale and transport of electricity (€313.7 million) as a result of a decline in quantities sold and a decrease in revenues recognized for sales and marketing services, which was partially offset by an increase in average revenues to cover generation costs, in line with the increase in the average electricity purchase price.

Operating costs, in the amount of €10,020.1 million, were related essentially to the purchase of electricity (€6,108.8 million), mainly from the Single Buyer (€6,102.3 million), and to costs for services (€3,533.5 million), €3,387.2 million of which paid to Group companies related essentially to electricity transport (€2,826.9 million) and grid-connection services (€346.1 million). The decrease in operating costs compared with the prior year, in the amount of €336.3 million, is due essentially to the reduction in costs paid to Group companies for electricity transport (€213.3 million) and for grid-connection services (€60.5 million), as well as to the decline in personnel expenses (€55.5 million) essentially due to lower early retirement incentives in 2011 (€42.2 million) and the positive effect of the reversal of the liability for the electricity discount benefit (€11.9 million) recognized for current employees, who, under agreements with the unions during the year, will no longer receive this benefit, which will be replaced with measures to support and develop supplemental retirement schemes.

Operating income, which totaled €46.8 million, declined by €48.7 million compared with 2010.

Net financial expense, in the amount of €1.3 million, include financial expense in the amount of €23.0 million (€25.6 million in 2010) and financial income and income from equity investments in the amount of €21.7 million (€18.6 million in 2010). Compared with the previous year, net financial expense declined by €5.7 million, due essentially to an increase in financial income on the intercompany current account held with the Parent Company in the amount of €6.2 million, a decrease in interest expense on customer security deposits in the amount of €3.0 million, a decrease in default interest expense and other financial expense paid to third parties in the amount of €3.7 million. These effects were partially offset by an increase in financial expense on the assignment of receivables in the amount of €4.6 million and a decrease in default interest income in the amount of €3.3 million.

Net income for 2011 came to €19.3 million, net of **income taxes** for the period in the amount of €26.2 million.

Capital expenditure on property, plant and equipment and intangible assets totaled €29.5 million, €24.9 million of which related to intangible assets, essentially comprising invoicing and credit management systems.

Net capital employed totaled a negative €2,054.2 million at December 31, 2011, and is made up of net non-current assets of €76.7 million, net current assets of a negative €2,161.3 million, net deferred tax assets of €162.7 million, and other provisions in the amount of €132.3 million.

At December 31, 2011, **shareholders' equity** amounted to €96.2 million, an increase of €19.3 million compared with the previous year, as a result of the net income for the year.

Net liquidity amounted to €2,150.4 million, up €916.6 million, due essentially to the effects of the aforementioned non-recourse assignment transaction, which was partially offset by the lower credit exposure on the intercompany current account held with the Parent Company.

The **workforce** at December 31, 2011 numbered 2,754, compared with 2,795 at December 31, 2010.

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 on the free market in Italy for the sale of electricity and provides integrated products and services for electricity and gas supplies for both businesses 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 2011, Enel Energia strengthened its leadership on the Italian free market by focusing on the combined sale of electricity and gas. The company closed 2011 with some 3.9 million free-market electricity customers and about 3.2 million gas customers.

In 2011, Enel Energia continued the non-recourse assignment of its receivables, a number of which transaction had already begun in the latter part of 2010.

More specifically, the company:

- > continued the non-recourse assignment of its receivables to UniCredit Factoring mainly regarding receivables from government bodies;
- > 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 assignment of receivables through securitization in collaboration with Banca IMI (Intesa Sanpaolo Group) related entirely to public administration;
- > continued the transaction with SACE FCT for the non-recourse assignment of receivables from central and local government bodies;
- > continued the transaction with CREDEM Factoring for the non-recourse assignment of receivables from central and local government bodies;
- > continued the transaction with Crédit Agricole for the non-recourse assignment of receivables from private-sector customers;
- > began a transaction with Mediofactoring for the non-recourse assignment of receivables from private-sector customers.

Of the total amount of the receivables being assigned (€1,925.6 million), €1,813.6 million, net of interest and commissions, were collected in 2011.

Revenues from sales and services amounted to €8,694.6 million (€9,122.7 million in 2010) and refer mainly to the sale of electricity (€4,099.6 million) and gas (€1,685.2 million) and to transport revenues (€2,841.5 million). The €428.1 million decrease compared with 2010 is due essentially to the decline in revenues from the sale and transport of both electricity and gas, due mainly to a reduction in quantities sold.

Operating costs, amounting to €8,705.6 million (€8,644.7 million in 2010), relate mainly to electricity purchases of €3,448.2 million, gas purchases of €1,507.1 million, and service costs of €3,364.9 million. The €60.9 million increase from the previous year was mainly due to the increase in costs for services, which was partially offset by a decrease in costs for the purchase of electricity and gas in line with quantities sold.

Net income from commodity risk management came to €54.9 million (compared with a net charge of €619.2 million in 2010) and regards net income realized on positions closed during the year.

Operating income totaled €71.2 million (compared with a loss of €107.3 million in 2010), an improvement of €178.5 million over the prior year.

Net financial expense, in the amount of €49.2 million (€32.8 million in 2010), increased by €16.4 million due essentially to the increase in interest expense on receivable assignments completed in 2011.

Net income for the year, after income taxes of €20.2 million, came to €1.8 million (compared with a loss of €99.9 million in 2010).

Capital expenditure on property, plant and equipment and intangible assets totaled €60.9 million and mainly included industrial patents and intellectual property rights.

Net capital employed totaled €1,414.0 million at December 31, 2011 (€1,808.0 million at December 31, 2010), and is made up of net non-current assets of €411.7 million, net current assets of €911.4 million, and provisions and net deferred taxes of €90.9 million. Net capital employed is funded by shareholders' equity of €1,114.7 million (78.8%) and net financial debt of €299.3 million (21.2%).

Shareholders' equity at December 31, 2011 was €1,114.7 million. Compared with December 31, 2010, this represents an increase of €35.5 million due to an increase in the reserve from the measurement of cash flow hedge instruments in the amount of €33.7 million and the recognition of net income for the year of €1.8 million.

The **workforce** at December 31, 2011 numbered 991, compared with 1,010 at December 31, 2010.

Enel Trade SpA

In 2011, 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 conducted proprietary trading in 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 CO₂ emission allowances needed for the Group's generation companies to comply with the applicable regulations.

In 2011, the company sold 236.0 TWh of electricity (171.0 TWh in 2010), 54.8 TWh of which to companies of the Enel Group, 67.0 TWh to domestic third parties, and 114.2 TWh to foreign third parties. A total of 20.7 million tons of oil equivalent (19.9 Mtoe in 2010) in fuels were also traded, 14.4 Mtoe of which with the Group and 6.3 Mtoe with third parties.

During 2011, the most important corporate events and extraordinary operations for the company were as follows:

- > completion of the liquidation and cancellation of the wholly owned subsidiary Enel Service UK Ltd on May 17, 2011;
- > the recapitalization, on August 31, 2011, of the wholly owned subsidiary Enel Trade Hungary Kft in the amount of about €3.4 million and the subsequent start of liquidation of the subsidiary;
- > the incorporation of the electricity trading companies Enel Trade Croatia d.o.o. and Enel Trade Serbia d.o.o. located in Croatia and Serbia, respectively, both wholly owned subsidiaries with share capital of about €0.3 million each.

Revenues from sales and services for 2011 totaled €21,182.9 million (€15,020.2 million in 2010), an increase of €6,162.7 million over the prior year due mainly to the increase in revenues from the sale of electricity (€4,235.6 million) following an increase in volumes handled, as well as from other sales and services (€1,364.4 million) related to an increase in sales of CO₂ emission allowances and of fuel (€562.7 million), that latter due mainly to an increase in the volume of gas traded and to an increase in the prices of other raw materials.

Operating costs came to €21,253.8 million (€15,090.7 million in 2010), an overall increase of €6,163.1 million related mainly to the purchase of raw materials and consumables, particularly for the purchase of electricity (€4,226.6 million), materials (€1,223.8 million), these latter essentially in the form of CO₂ certificates, and fuels (€661.2 million).

Net income from commodity risk management came to €115.5 million (€140.0 million the previous year) and were related to contracts for differences in the amount of €85.7 million and other contracts on energy and oil commodities in the amount of €29.8 million.

Operating income for 2011 came to €61.0 million, down €12.7 million from 2010.

Net financial expense and charges in respect of equity investments came to €9.3 million (€33.1 million in 2010), a decline of €23.8 million due mainly to exchange rate differences (€11.2 million) and the management of derivative instruments hedging exchange rate volatility, which are conducted through the Parent Company, Enel SpA (€7.9 million).

Net income for the year, after income taxes of €26.2 million, came to €25.5 million (€30.4 million in 2010).

Net capital employed at December 31, 2011 came to €1,606.3 million, up €304.9 million from the end of 2010, and was made up of net non-current assets in the amount of €219.1 million, net current assets of €1,485.8 million, and other provisions of €98.6 million.

Capital employed is funded by **shareholders' equity** in the amount of €974.5 million (€942.3 million at December 31, 2010) and **net financial debt** in the amount of €631.8 million (€359.1 million at December 31, 2010).

The **workforce** at December 31, 2011 numbered 348, compared with 322 at December 31, 2010.

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 interests in other companies, both in Spain and abroad.

On July 1, 2011, the company acquired the Endesa Group IT support business unit from Endesa Servicios SL for €250.0 million. This transaction resulted in 356 employees being transferred from Endesa Servicios to Enel Energy Europe. In December 2011, the company was granted a €2,000.0 million revolving credit line from Enel Finance International NV. The credit line expires in December 2012. At December 31, 2011, the facility line remained undrawn.

Revenues for 2011 totaled €157.3 million (€1.1 million in 2010), which include €151.4 million (zero in 2010) for IT support provided to companies of the Endesa Group starting from the 2nd Half of the year and €5.9 million (€1.1 million in 2010) for other services provided to Group companies.

Operating costs, totaling €147.1 million (€2.2 million in 2010), include costs for services in the amount of €42.4 million, personnel expenses in the amount of €21.6 million, depreciation, amortization and impairment losses in the amount of €17.7 million, and the supply of materials in the amount of €65.4 million. Operating costs increased by €144.9 million due to the aforementioned acquisition of the IT support business unit.

Operating income, which totaled €10.2 million, improved by €11.3 million compared with the previous year.

Net financial expense and income from equity investments, totaling €325.0 million (compared with net finan-

cial income of €203.2 million in 2010), increased by €528.2 million compared with the previous year and included the following:

- > income from equity investments in the amount of €503.9 million (€1,002.0 million in 2010) related to the dividend on 2010 earnings approved by the Endesa shareholders on June 30, 2011. The decrease of €498.1 million from the previous year is essentially due to Endesa SA not paying an interim dividend in 2011 on that year's earnings (€487.4 million in 2010);
- > net financial expense of €828.9 million (€798.8 million in 2010) related essentially to interest expense accrued on the long-term loan with Enel Finance International.

The **net loss for 2011** came to €69.2 million (net income of €529.7 million for 2010).

Net capital employed at December 31, 2011 amounted to €38,255.0 million and comprises net non-current assets of €38,049.9 million, which mainly reflect the value of the equity investment in Endesa (a 92.06% interest), positive net current assets of €221.1 million and other provisions of €16.0 million.

At December 31, 2011, **shareholders' equity** totaled €19,532.6 million, a decrease of €331.0 million from December 31, 2010, due essentially to the dividend paid on 2010 earnings (€264.9 million) and net loss posted for the year (€69.2 million).

Net financial debt at December 31, 2011 totaled €18,722.4 million (€18.695.5 million in 2010).

The **workforce** at December 31, 2011 numbered 380 (31 at December 31, 2010).

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 2011, the most important corporate events and extraordinary operations regarding the company were as follows:

- > the sale of the 100% interest held in the Dutch companies Maritza East III Power Holding BV and Maritza O&M Holding Netherlands BV to ContourGlobal LP in June 2011 for a total of €230.0 million;
- > the start, in September 2011, of the reorganization of the companies of the Enel Group operating in the reinsurance industry and consequent transfer by the company and Endesa SA, on November 30, 2011, of their equity investments in Enel.Re Ltd and Compostilla SA, respectively, to the new special-purpose vehicle Enel.Re NV, which was specifically established by the two companies with equal 50% stakes on August 5, 2011.

Revenues for 2011, in the amount of €75.8 million, mainly include €56.4 million in the gain resulting from the adjustment to fair value of the equity investment held in Enel.Re Ltd, subsequently transferred to Enel.Re NV, and €18.5 million for the gain realized on the aforementioned sale of the Dutch subsidiaries to ContourGlobal LP.

Costs, totaling €46.1 million (€4.8 million in 2010), include the following:

- > costs for services in the amount of €13.2 million related essentially to the rebidding, by Enel Ingegneria e Innovazione SpA, of a portion of the costs incurred within the scope of the Livadia project, which calls for the development of a 443 MW combined-cycle plant in Livadeia (Boeotia) through Enelco SA, a subsidiary of Enel Investment Holding, which holds a 75% stake in the company (the remaining 25% is held by Prometheus Gas, a joint venture between the Russian company Gazprom and the Greek firm Copelouzou Group);

- > depreciation, amortization and impairment losses in the amount of €32.3 million and related essentially to impairment losses on the companies Enel Rus, Enel Albania and Marcinelle Energie.

Net financial income and income from equity investments, in the amount of €139.2 million, include:

- > income from equity investments in the amount of €156.7 million related to the dividends paid by Res Holding BV (€119.6 million), Enel France Sas (€17.5 million), the Romanian firms Enel Distributie Banat and Enel Distributie Dobrogea (totaling €17.4 million), and Bayan Resources (€2.2 million);
- > net financial expense in the amount of €17.5 million, attributable mainly to the net interest expense accrued on the intercompany current account with Enel SpA (€14.3 million).

Net income for the year came to €168.7 million (€41.8 million in 2010).

Net capital employed totaled €4,956.8 million at December 31, 2011 (€5,144.6 million at December 31, 2010), and is made up of net non-current assets of €5,350.0 million, related essentially to the equity investments held, and net current assets of a negative €393.2 million.

Shareholders' equity amounted to €4,497.2 million, an increase of €168.6 million compared with December 31, 2010, essentially as a result of the net income for the year.

Net financial debt, in the amount of €459.6 million (€816.0 million at December 31, 2010), essentially represents the debtor position with respect to the Parent Company in the amount of €472.1 million (€819.5 million at December 31, 2010).

The **workforce** at December 31, 2011 numbered 5 employees, an increase of 2 from the previous year.

Enel Finance International NV

This company, based in the Netherlands, conducts finance activities, both with companies of the Group and with third parties.

During 2011, the company:

- > received full repayment of the \$200.0 million revolving line of credit granted in 2007 to Artic Russia BV;
- > received full repayment of the revolving line of credit granted in 2009 to Enel Trade Hungary Kft with an original limit of €5.0 million, which was increased to €10.0 million in 2010;
- > entered into a long-term deposit agreement with Enel Servizio Elettrico SpA for the management of this company's liquidity generated following the non-recourse assignment of its receivables for a total of €1,200.0 million;
- > increased the ceiling on the revolving line of credit granted in 2007 to Enel France SA to €600.0 million, of which €387.9 million was used as of the end of 2011;
- > renewed the revolving line of credit granted to Marcinelle Energie SA on March 15, 2010, to December 31, 2012 and increased its amount to €242.0 million. At December 31, 2011, €193.5 million of this line of credit was drawn.

At the end of 2011, €29.3 million of the revolving line of credit granted in 2009 to Enel Lease EURL was drawn, while the €1,200.0 million revolving line of credit and the €2,500.0 million long-term multicurrency (i.e. euro, dollar and any other currency required) facility granted in 2010 to Enel Green Power International BV were drawn at December 31, 2011, in the amounts of €376.0 million and €2,274.9 million, respectively.

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. On February 1, 2010, the first loan was repaid in full, while the second was renegotiated for a remaining balance of €2,500.0 million falling due in 15 years. In 2010, Enel Energy Europe SL had been granted an increase in the €10,000.0 million line of credit granted on November 30, 2009, to €18,000.0 million and extended the maturity to November 30, 2019.

Of note among the new financing granted to various Group companies are the 5-year revolving line of credit granted in November 2011 to Endesa SA for a total of €3,500.0 million, which was not yet drawn as of December 2011, and the revolving line of credit granted in December 2011 to Enel Energy Europe SL for a total of €2,000.0 million, expiring in December 2012. This line of credit was also not yet drawn at December 31, 2011.

Of the 5-year €10 billion revolving line of credit established together with Enel SpA on April 19, 2010, €1,000.0 million was drawn by the company at December 31, 2011.

In 2007, the company, together with Enel SpA, Mediobanca (Banca di Credito Finanziario SpA) and other banks, had signed a multi-tranche syndicated line of credit (the Credit Facility Agreement 2007) for a total original amount of €35 billion, of which €7,513.1 million was attributable to Enel Finance International 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 nominal liability for the company at December 31, 2011 was €1,523.3 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 as the guarantor, the total commercial paper issued and not yet repaid came to €2,015.6 million at December 31, 2011.

At December 31, 2011, the €25 billion Global Medium-Term Notes program issued by the company and Enel SpA (increased by the Board of Directors of the company in October 2011 to €30.0 billion) had been used as follows: \$3.5 billion and ¥20.0 billion (equivalent to about €2.6 billion) for a multi-tranche bond issue in 2007; just under €10.0 billion for a multi-tranche bond issue in 2009 in euros, pounds and dollars; and about €4.4 billion for a multi-tranche bond issue in 2011 in euros, Swiss francs and yen.

At December 31, 2011 the total balance of the notes issued was €17.7 billion.

Other charges amounted to €3.9 million, represented by €3.1 million in costs related to operations and €0.8 million in personnel costs.

Net financial income totaled €118.2 million and is mainly accounted for by the company's lending activities, as well as realized and unrealized foreign exchange gains in connection with lending activities in foreign currencies, net of the related hedges.

Net income for the year, after income taxes of €15.5 million, came to €98.8 million (€77.8 million in 2010).

At December 31, 2011, total **financing requirements** came to €509.8 million, an increase of €532.3 million compared with December 31, 2010, essentially as a result of the increase in lending to companies of the Group. These needs are covered in their entirety by shareholders' equity in the amount of €1,470.3 million (€1,258.7 million at December 31, 2010), while the net financial position continued to show net liquidity at €960.5 million (€1,281.2 million at December 31, 2010).

The **workforce** at December 31, 2011 numbered 5 employees, an increase of 2 from the previous year.

Enel Servizi Srl

Enel Servizi's mission is to handle, on a comprehensive, unified basis, the sourcing and purchasing of goods, works and services, administrative and accounting activities, the administrative management of personnel, the management and optimization of the property portfolio and the management of ICT systems on behalf of all Group companies. The organization is made up of the following operating units: Information & Communication Technology; Real Estate & Service Management; Administration; Human Resources; Purchasing; Enel University.

During the year, the project, launched by the company in 2009, to establish a real estate investment fund to be seeded with the Group's properties not being used in operations was characterized by a series of postponements of the seeding date up to the final date of September 30, 2011. In the 4th Quarter of 2011, given the decision not to postpone the seeding date further, a study was launched in order to establish a strategy for selling the properties as an alternative to the fund and other standard selling procedures used.

Revenues for the year came to €1,112.4 million (€1,083.7 million in 2010), up €28.7 million due mainly to an increase in revenues from services related essentially to telecommunications, information systems and real estate services, which were partially offset by a decline in construction contracts related to IT projects and projects to adapt and renovate properties (mainly for other Group companies).

Operating costs totaled €1,029.3 million (€1,043.5 million in 2010), down €14.2 million due essentially to a reduction in personnel costs (€39.8 million), which was partially offset by an increase in other operating costs (€13.3 million), related essentially to an increase in allocations to provisions for risks and charges during the year, and by an increase in costs for services and leases and rentals (€10.9 million) related mainly to IT services. The reduction in personnel expenses reflects the positive effects of the reversal of the liability recognized for the electricity discount benefit (€12.9 million) for current employees, who, under agreements with the unions during the year, will no longer receive this benefit, which will be replaced with measures to support and develop supplemental retirement schemes, as well as the decline in charges for early retirement incentives in 2011 (€23.3 million).

Operating income totaled €83.1 million (€40.2 million in 2010).

Net financial expense amounted to €15.0 million (€13.6 million in 2010) and included €1.0 million in financial income related mainly to interest income accrued on the intercompany current account (€0.5 million), income on derivative instruments (€0.2 million) and positive exchange rate differences (€0.2 million), offset by €16.0 million in financial expense related essentially to interest expense and other charges on medium- and long-term financing (€7.3 million).

Net income for the year, after income taxes of €38.3 million, came to €29.8 million (€5.1 million in 2010).

Capital expenditure on property, plant and equipment and intangible assets amounted to €47.6 million.

Net capital employed totaled €447.6 million and is made up of net non-current assets of €574.8 million, net current assets of €34.5 million, and provisions and net deferred tax liabilities of €161.7 million. Net capital employed is funded in its entirety by **shareholders' equity** in the amount of €524.0 million (€499.1 million at December 31, 2010), while the **net financial position** was positive at €76.4 million (compared with net financial debt of €62.8 million at December 31, 2010).

The **workforce** at December 31, 2011 numbered 3,817 (3,954 at December 31, 2010).

Human resources and organization

Organization

In the business operations area:

- > work continued on the implementation of Group's risk management models and systems and on strengthening the various Division units, and committees for financial risk, commodity risk and credit risk were established at the Group level;
- > the business of the Upstream Gas department was organized in accordance with the Group's strategic plan;
- > for the Sales Division, the Marketing area was reor-

lar, a single hydroelectric value chain was established, and the plants in Italy were reorganized. In addition, the thermal and hydroelectric plant maintenance units were reorganized in accordance with project management best practice in order to facilitate the sharing of experience;

- > in the Renewable Energy Division, consolidation of the new organization model was completed, and Enel.si (retail business) was reorganized in order to



- ganized with the goal of making responsibilities fully centralized so as to improve the end-to-end offering of products and services, and the customer care unit for the enhanced protection service was reorganized in order to improve coordination between the front end, the back office and commercial compliance;
- > in the Generation and Energy Management Division, and regarding the Generation business area in particu-

lar, a single hydroelectric value chain was established, and the plants in Italy were reorganized. In addition, the thermal and hydroelectric plant maintenance units were reorganized in accordance with project management best practice in order to facilitate the sharing of experience;

- > in the Iberia and Latin America Division, the Latin American area and the various country units were reorganized using a matrix model in order to optimize investments and operate based on shared best practices;
- > work continued on the integration of Enel and Endesa,

which resulted in defining the governance of the centralized management of the carbon strategy in terms of procedures, powers, management control and personnel management.

With regard to integration activities:

- > work began on the One Company project aimed at:
 - defining and designing a new “lean holding company” with responsibility for policy setting and strategic control and guidance of all staff processes within the Group (a phase that was completed in 2011);
 - defining three global service functions: Procurement, ICT, and Business Services;
 - implementing the new model of operations, beginning with a reorganization of staff processes in order to achieve synergies within the Group and to eliminate redundant activities with no added value;
- > the new management model was implemented. This model transparently classifies the key roles within the Group and identifies the employee development and mobility processes for management, introducing a common international language independent of the contract categories used in the various countries in which the Group operates. This model underscores the multinational nature of Enel, with some 50% of management positions in countries other than Italy;
- > regarding the Group’s Performance Improvement Program, work is continuing on the project Best Practice Sharing (BPS), the goal of which is to extract value from the multinational nature of the Group by sharing best practices and aligning processes and controls. This project has already created tangible benefits and shared technical and cultural values;
- > work continued on the SAP HR Global project, which is seeking to support the convergence towards the One Company by providing technological solutions based on business priorities. The project aims to provide the Group’s Human Resources department with the same processes, systems and reports and with standardized data by creating a global system architecture based on integrated master data, while also ensuring integration with local systems. The main benefits expected include standardization of work methodologies, greater efficiency in both processes and people, the availability of consolidated data, and a reduction in costs by integrating processes and consolidating systems;
- > the governance arrangements for the Global InEnel portal were consolidated 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. In 2011, the Global InEnel portal was launched in Slovakia, Romania, Russia and France.

Hiring

The recruiting and hiring process aims to find the best talents who have the aptitudes and specialist skills that are best suited to the role to be filled. In 2011, hiring activities focused on processes related to recruiting and hiring recent secondary-school and university graduates, while a smaller proportion of new hires involved people with prior experience. The tools and channels used to attract applicants included, above all, the website, as well as relationships and other contacts established with schools and universities with which Enel has agreements in place. The selection process included phases focusing on both an assessment of aptitude and motivation and on more technical and professional aspects. The evaluation of “soft skills”, for both junior and senior positions, reflects the key skills expected of the various segments of the organization’s personnel, as

specified by the Group’s leadership model. The efforts of the Hiring unit to promote and enhance Enel’s image as an employer of choice within the most valued segments of the job market enabled the Company to be named a “top employer” in Italy by the CRF Institute for the third year in a row.

In order to promote the development of international career paths, emphasis has been placed on the process of mobility, which, in line with the corporate management model, resulted in the publication of 15 job postings for management positions (Vice Presidents and Directors) and a further 35 non-management positions to be filled within the Group. The process involved a total of some 500 personnel from all Enel Divisions and various countries, who chose to submit applications for the available positions.

Development

Development efforts mainly focused on improving existing processes, namely: the performance management system; the talent management system; and making use of the results of the 2010 climate study.

rules. Finally, the person evaluated now has full access to the entire evaluation at the end of the feedback phase. This reformulated performance review process is the tool which the organization has used in order to deal



The performance review process, which involved some 28,000 people, was centered around greater transparency of the process as a whole as well as of the aspects evaluated and related results achieved. The implementation of an analogous form both for self-assessment and evaluation by one's supervisor, aimed at gathering both qualitative and quantitative performance data, sought to make the evaluation purpose and criteria clearer and to facilitate discussion between employee and supervisor. In addition, in order to ensure greater equity, the balancing process has been made more effective. The content of this process is guided by the line units, and the process itself is guaranteed by Human Resources and Organization with regard to compliance with the process guidelines and

with issues such as quality, responsibility and evaluation relevance, and this can be seen in the numbers. The percentage of evaluations completed in 2011 is very high (at over 99% of the total) and in line with the figures for 2010. More people took the opportunity to self-evaluate – about 5% more than last year (68% in 2011 vs. 63% in 2010) – and the process was found to be more efficient and of higher quality, including a significant (50%) reduction in forms changed after the balancing process.

As in 2010, the Group's first and second-line managers were involved in performance evaluations using the Feedback 360° process, with a total of 180 people being evaluated.

Regarding the assessment of technical skills and knowledge, within the Administration, Finance and Control family, employee evaluations were completed with the extension of the process to Endesa (some 900 people), and the Energy Management area was involved for the first time following completion of the professional system concerning this area (about 400 people).



Evaluation of skills and performance was conducted in the various areas in which the Enel Group is present, with a total of more than 46,000 people evaluated.

During the year, the Global Professional System (GPS) was also launched with the goal of establishing a global catalog at the Group level of the technical/professional skills of each family and professional area, representing a tool that focuses on the skills present in the Group in an integrated, global manner.

In 2011, objectives, timeframes and working methods for the future development of the project were defined based on past experience. An initial deployment of the project will come in 2012 in two of the Group's core professional

areas: Generation and Engineering and Construction. Also in 2012, the "key professional roles", i.e. the roles within the Group that will represent the top of a technical career path due to their impact on Enel's business and the high level of skills required, will be defined for each professional area. Furthermore, the access criteria for the talent management system have been updated based, in part, on the Group's new management model, and a single system for the Group has been defined in line with the "One Company" process as follows: Pool 1, comprising up-and-coming managers who, over the medium term, may hope to become senior vice-presidents or executive vice-presidents; Pool 2, comprising aspiring managers currently in pre-managerial, coordinating roles or roles that require high levels of technical and professional skills; Pool 3, comprising younger employees who show a great deal of potential. For all targets, the access requirements include having received a very positive evaluation in recent years, having good command of English, and wanting to grow through experience in other areas of the organization and/or in other countries.

In line with previous years, the Leadership for Energy: Executive Program (LEEP), one of the most prestigious training programs organized by Enel and held at the Harvard Business School, is dedicated to Pool 1, while the Leadership for Energy: Management Program (LEMP), held at SDA Bocconi and IESE, is dedicated to Pool 2.

Finally, with regard to company climate, the latest results of the study compared with those of previous years have largely cascaded through the various Divisions of the Group, including at the micro level of the organization through the efforts of local managers.

Participation in the third climate study was high (82%), and the results, when compared like-for-like with those of the 2008 climate study, show a significant improvement in the various aspects of life within the company, namely: involvement, alignment, operational excellence, change management, meritocracy, trust, and a sense of belonging. Overall job satisfaction was expressed by 69% of those surveyed, while 87% felt that their responsibilities are clear. In 2011, the results of the climate study and the actions for improvement were the subject of workshops, which saw the participation of 660 local managers throughout the Group in May and June.

Following this process, plans were made for 1,817 actions for improvement to be implemented from now until the next (i.e. the fourth) climate study to be conducted at the end of 2012. Of these, more than 95% were begun in 2011.

Training

The introduction of the new management model led to the need to revise the Leadership Curriculum in terms of its structure and the topics covered. Therefore, Enel University has created a new offering of training programs in order to meet the needs of the various targets of this new management model, while focusing on supporting performance and promoting adequate participation in filling the new position in the organization.

This offering now includes the existing programs, the content of which has been revised in accordance with company priorities, along with entirely new programs, which have already been defined in terms of their general content and overall structure.

For the JET International and Welcome to Enel programs (both designed for new hires) and for the programs for new professionals and resource managers, the learning modules have been updated, and the Post-Performance Review programs for middle management and office staff have been revised with updated topics and titles.

Finally, in addition to the existing technical and functional academies (Procurement, Administration, Finance and Control, Legal, Engineering), a Safety Academy has been launched, and the architecture has been designed for an Energy Management Academy.

Compensation and incentive systems

The compensation policy for 2011 remained consistent with the rationale and philosophy adopted in previous years. As is done every year, appropriate 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 reward-

ing "high-value" skills within each professional family. With regard to short-term incentives, management by objectives (MBO) was confirmed as the leading tool, involving about 98% of senior management and 19% of middle management in Italy. For the commercial segment, the commercial incentive system remains the primary short-term incentives mechanism.

Workplace health and safety

The strategy that Enel has adopted since 2008 to improve the standards of workplace safety is embodied in the Nine Points Safety Improvement Plan, an innovative project based on the keen commitment of the Company's senior management and on the adoption of an interfunctional approach to safety. Over the last three years, the Nine Points project has produced an important shift in corporate culture and has contributed to the revision of the main company processes with a greater focus on safety. The nine project teams have identified key approaches to intervention, which have thereby become a part of company processes and consolidated standard practice.

The lines of action that guided efforts in 2011 centered

around the promotion of safe conduct, a greater emphasis on prevention in safety management, and the consolidation of safety-related aspects in tender processes.

In 2012, the Nine Points plan will continue evolving from a project to a company process following along new lines of action, and a new initiative, One Safety, will begin for all Divisions. This new project will seek to promote a coordinated, synergistic commitment to achieving significant improvement on the road towards the goal of "zero injuries". The CEO is highly committed to this project, which focuses on two main goals: the promotion of safe, responsible conduct and the strengthening of safety leadership.

In 2011, much emphasis was placed on promoting a cul-

ture of safety and safe conduct through targeted safety-awareness projects and initiatives. Prevention in safety management was enhanced with the dissemination of the “pre-job check”, a meeting held before the start of a job that seeks to ensure that all team members have been informed of the risks related to the job to be performed and of the procedures to be followed in order to do the job safely. In addition, awareness videos and other campaigns have been created to promote the process of reporting and managing near misses⁽¹⁾ along with videos, manuals and pamphlets providing information about the various health and safety processes.

A new section of the company intranet, Global Health and Safety, was launched in December. The site is used to disseminate information and deliver tools and services related to health and safety, so as to increase employee awareness and contribute to creating value in the area of safety through the corporate network. The new site contains a section dedicated to prevention in healthcare, diet and wellbeing, so as to promote a healthy lifestyle both at work and in our daily lives. This year, a great deal of emphasis has been placed on health in order to underscore how Enel is committed to promoting a healthy, responsible style of living.

Finally, electricity-risk campaigns have been launched in order to increase the awareness of those outside the company who may accidentally come into contact with power lines. In particular, pamphlets have been distributed to fishermen and to construction companies that use cement mixers.

The month of November 2011 featured the fourth edition of International Safety Week, a worldwide project with the organization, throughout Enel, of training and awareness campaigns related to health and safety involving Enel employees as well as contractors and the community at large, so as to promote a unified vision and single approach to safety throughout the organization and the context in which we operate. The 2011 edition featured 1,607 initiatives, an increase of 20% from the previous year, and saw the participation of 82,323 people from around the world. This fourth edition of ISW was also special for the medal given by Italian President Giorgio Napolitano to Enel CEO and General Manager Fulvio Conti in recognition of the great symbolic value of the initiative.

Another line of action of the Nine Points project in 2011

regarded the efforts to increase the importance of safety in tender processes. To that end, work continued to implement the model of evaluating and selecting suppliers, which establishes specific, strict safety requirements, and greater involvement of safety-related personnel in the evaluation and selection process has been promoted. Internationally in particular, efforts have continued to implement and extend vendor rating systems, which make it possible to follow the same evaluation procedures for all Group suppliers.

The system of penalties for contractors for serious safety violations has also been revised to include a set of penalties that are proportionate to the seriousness of the violation as well as specific penalties in the event of accidents where the contractor is shown to be at fault. In addition, a sub-contracting policy has been established which defines the minimum safety requirements for subcontractors used in executing contracts with companies of the Enel Group and specifies the safety obligations that the contractor and subcontractor are required to observe. Safety controls to be performed when carrying out works have been enhanced throughout the Group with the preparation of specific plans at the Division level.

Beginning in 2012, the Health and Safety Policy document will be distributed to all companies that work for Enel. This document, which is also available on the Procurement portal, seeks to increase contractor awareness of the principles of health and safety that Enel aspires to when carrying out any and all activities both within and outside the organization, so as to share the same safety language with all companies involved.

Safety training efforts for Enel employees also continued throughout 2011. Alongside the more technical courses for employees involved in the company prevention system (i.e. RSPP, ASPP, RLS, CSP/CSE), safety leadership courses were conducted in collaboration with Enel University. The goal of these courses is to promote greater awareness among managers in taking responsibility for safety issues related to their roles and to promote a vision of safety as an element of competitiveness and an opportunity to improve life within the organization. Courses for new hires have also been held in order to ensure that safety becomes a part of the cultural skillset of all employees right from the moment they enter the organization. This year in particular, the “Six Months in Safety” training and development program for new hires became fully operational.

(1) An unexpected work-related event that did not cause an injury or work-related illness but could have done so. Only a lucky interruption of the chain of events prevented the accident from happening.

This is a program that seeks to increase safety knowledge and skills through a period of six months spent in safety training with both in-class and on-the-job training.

The Safety Academy was also launched in order to create a training system aimed at increasing the technical and professional knowledge that safety employees need and to develop a number of key behaviors that are typical of the Safety professional family.

Several training initiatives regarding safe driving have been organized as well, including an online course for all employees and a program of on-track courses designed, above all, for those who frequently use a company car in their jobs.

Finally, as part of the search for alternative training methods, the project "Play Safe: play is a serious thing" was launched in collaboration with the EXPLORA children's museum in Rome. This training program is intended for non-operational personnel and uses games and other fun activities to discuss and better understand the key safety aspects of related laws and regulations.

Work has continued on the automation/computerization of processes within the Health and Safety Program. This project is aimed at implementing a group-wide information system, integrated with SAP HR Global, that is able to centralize the reporting, monitoring and analysis of safety data. In 2011, the project was launched in Russia (International Division) and in Enel Green Power North America (Renewable Energy Division). In 2012, the system is expected to be implemented in Romania (International Division) and in Enel Green Power Latin America (Renewable Energy Division) and then gradually throughout the rest of the Group by 2015.

In 2011, the reporting process for the leading KPIs was also consolidated in order to promote prevention in safety management processes. This year in particular, the safety KPIs being monitored were supplemented with a number of indicators that focus on safety controls and on non-compliance, so as to ensure greater standardization in the process of measuring and calculating KPIs throughout the Enel Group.

In 2011, a standardized system of safety incentives, integrated with the current forms of collective incentives, was implemented within the various Divisions and companies of the Group. This system calls for a new indicator based on near misses, which is an essential means of preventing ac-

cidents in the workplace and of improving safety standards with the goal of promoting the process of reporting and communication.

Efforts have begun to strengthen the safety controls conducted by the various Divisions and companies by creating dedicated units and strengthening existing processes, so as to continue increasing the effectiveness of the monitoring of safety standards in executing tasks and, ultimately, to prevent accidents.

This year, in order to disseminate the same safety approach in all the countries in which Enel operates, ten operating standards regarding key areas for improving safety processes have been prepared in order to establish a minimum set of measures and procedures to be applied in a consistent manner throughout the Enel Group.

Alongside the implementation of these standards, an awareness campaign is to be launched to support the planned training programs. This campaign will include posters and pamphlets reminding everyone, through high-impact graphics, the most important (golden) rules to be followed. This year, the campaign began with the golden rules for the prevention of electrical hazards.

In 2011, the nine teams of the Nine Points project were joined by a new area dedicated to international deployment in order to facilitate the implementation of the Nine Points initiatives, while also ensuring consistency in application and providing the support needed to accelerate the processes under way, particularly with regard to training, tenders and communication.

Regarding the sharing of experiences, a Best Practices Sharing process has begun between Enel and Endesa aimed at identifying and disseminating best practices within the Group in the Generation and Distribution business areas.

With regard to workplace accidents, the frequency rate fell by 57% from 2007 to 2011, reaching 2.4, while the severity rate fell by 50% from 2007 to 2011, reaching 0.11. This downward trend was also confirmed by the operational accident frequency rate, which focuses on certain types of severe accidents most closely associated with the Company's core business (electrocutions, falling from heights, blows-crushing-cuts, exposure to hazardous agents, and explosions) and which also fell by 57% from 2007.

Serious and fatal accidents ⁽¹⁾ involving Enel personnel fell from 109 in 2007 to 12 in 2011, a decline of 89%. Those involving the employees of contractors decreased from 108

(1) In order to enable a comparison of the figures for 2007 with those for 2011, the number of serious and fatal accident in 2007 includes those of Endesa. Please see the Sustainability Report 2011 for the criteria used in determining the universe considered.

in 2007 to 46 in 2011, a decline of 57%. In 2011, there was only one fatal traffic accident involving Enel personnel, in this case an employee of the Infrastructure and Networks Division, whereas 7 fatal accidents involved employees of contractor firms – 1 in Italy and 6 abroad.

Enel's excellent performance in the area of occupational health and safety was also very well received by sustain-

ability analysts. Enel has further improved the Company's score in the Occupational Health & Safety category of the Dow Jones Sustainability Index compared with 2010 (to 90/100), well above the average for the global electrical utilities industry (65/100) and coming ever closer to best-in-class for the category (98/100).



Labor relations

International operations

In 2011, the labor relations community was established at the Group level. The community created an Enel International Labor Relations Model integrated with the Code of Ethics, the Leadership Model, the Management Model and the corporate social responsibility strategies, with the overall goal of becoming a benchmark for labor relations worldwide.

In 2011, with regard to transnational information and consultation and the activities of the Enel's European Works Council, the "Joint training project for the Enel EWC and the HR managers on a suitable linkage between the national and transnational levels of dialogue within a European framework", as supported by the European Commission, was held, providing an opportunity to discuss and compare all safety and labor relations systems of the EU countries in which the Group operates.

In December, the agreement of Enel's European Works Committee was also renewed for another four years. Some of the main changes included updates to the text of the agreement based on the new Directive 2009/38/EC, the new definition of transnationality, and the establishment of a committee dedicated to safety issues.

Contracts in Italy

In May 2011, the amount of the 2010 company performance bonus was set (100% of the bonus established by trade union agreement on November 13, 2008, in the amount of €855 for the BSS category of workers). In addition, all Divisions completed their reporting on the 2010 targets within the scope of unit productivity/quality. The average overall result was 121% of the base value, which allowed for the payment of an average bonus to BSS category personnel of €1,191, which, when added to the €855 of the general performance bonus, resulted in a total performance bonus of more than one month's salary.

On December 1, 2011, Enel and the trade unions that signed the agreements of May 17, 2011 regarding electricity discounts and measures to support company-level supplemental retirement schemes (FOPEN) took steps to verify the level of employee support for these agree-

ments. The survey found that about 80% of all employees supported them. Accordingly, the documents making the agreements operational were signed, thereby abolishing the electricity discount for employees benefitting from it (those hired prior to 1996). On the same date, measures were implemented to support and promote supplemental retirement mechanisms, both for those hired before 1996, who receive the electricity discount benefit, and for "young" employees (hired after 1996), who receive a payment of €170 a year under a sort of "generational compact".

The bylaws of the Enel Group's supplemental healthcare fund, FISDE (*Fondo Integrativo Sanitario per il Gruppo Enel*), were also revised within the framework of consolidating and further developing the welfare system. The purpose of this revision was twofold: to make the association more solid and efficient on the one hand, which was essential in order to continue ensuring payments to fund participants over time and in an increasingly effective manner; and to extend the population of potential beneficiaries on the other, so as to make FISDE the benchmark in the field of supplemental healthcare plans within the electricity industry.

In November, an agreement was also signed with the trade unions regarding telecommuting, which gives Enel one of the most important, effective mechanisms within the broader concept of work-life balance.

Finally, in December, the new rules governing the financial and organizational aspects of the performance bonus were signed with the trade unions, the most significant changes to which concerned the following:

- > the reallocation of funds among the two bonus components in favor of incentives for productivity/quality/competitiveness;
- > a significant decentralization of management of these productivity/quality/competitiveness incentives towards the territorial units;
- > the recognition of the different contributions of individual workers to achieving the collective targets.

At the national level, various activities were carried out within the Divisions, which were then implemented at the territorial level. For example, on May 11, 2011, the Infrastructure and Networks Division, together with the national trade unions and within the scope of Project VELE, aimed at recovering electricity on the grid by detect-

ing and preventing energy fraud and theft, redefined the rules governing the financial and organizational aspects of the treatment of employees who travel for work and updated the additional bonus in order to promote the achievement of the project's results.

Finally, in 2011, within the scope of Enel's long-standing system (set out in the labor relations protocol) of proactive dialogue (with the trade unions in the event of changes in organization), numerous discussions with the trade unions regarding the adjustment, renewal or consolidation of the organizational structure of certain Divisions and companies within the Group were carried out.

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 2011 continued their activities in the development and demonstration of innovative technologies in fossil fuel generation (with a focus on CO₂ capture and storage, hydrogen, emissions reduction, and increasing power plant efficiency), renewable energy (with a focus on innovative photovol-

prehensive framework for strategy and the research and innovation projects developed within the Group. The plan was developed in cooperation with Endesa, coordinating with all Group companies, and is intended to increase competitiveness and strengthen the Group's technological and environmental leadership.



taic and thermal solar, geothermal, wind, sea power and biomass), energy storage, energy efficiency combined with distributed power generation, smart grids, electric mobility, green ports and cybersecurity/zero accident plants.

Research and innovation efforts fall within the scope of the Technological Innovation Plan, which sets out a com-

Main risks and uncertainties

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

In order to limit its exposure to these risks, Enel SpA analyzes, monitors, manages and controls them as described below.

From an organizational standpoint, over the last year a governance model was developed for financial, com-

modity and credit risks that envisages the formation of special risk committees, both at the Group level and at the Division/company level. These committees are responsible for setting risk management strategies and overseeing risk management and control activities, as well as developing policies on risk management, on management and control roles and responsibilities and on the structure of an operational limits system for the Group and, if necessary, for the individual Divisions/companies.

Business risks

The energy markets in which the Enel Group 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 natural participation of the Group in such markets have been addressed by integrating along the value chain, with a greater drive for technological innovation, diversification and geographical expansion. More specifically, the initiatives taken have increased the customer base in the free market, with the aim of integrating downstream into final markets, optimizing the generation mix, improving the competitiveness of plants through cost leadership, seeking out new high-potential markets and developing renewable energy resources with appropriate investment plans in a variety of countries.

The Group often operates in regulated markets, and changes in the rules governing operations in such markets, and the associated instructions and requirements with which the Group 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.

In addition to being one of the factors with the largest potential impact on Group operations, emissions of carbon dioxide (CO₂) represent one of the greatest challenges facing the Group in safeguarding the environment.

EU legislation governing the emissions trading scheme 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 the risk factors associated with CO₂ regulations, the Group 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.

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 while containing 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.

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 ⁽¹⁾ is equal to: (i) "A-" with a negative outlook (Standard & Poor's); (ii) "A-" with a stable outlook (Fitch); and (iii) "A3" with a negative outlook from Moody's as a result of the downgrade in October 2011. In December 2011, Standard & Poor'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.

(1) Figures updated to March 7, 2012.

Outlook

The world macroeconomic environment remains highly uncertain in the early months of 2012, and there is still little sign of economic recovery in the mature European economies, with GDP forecast to contract in Spain and Italy. In the emerging countries in Eastern Europe, in Russia and in the countries of Latin America, the economies are consolidating and developing.

Enel, acting through its subsidiaries, will therefore continue to pursue growth in those emerging economies, as well as its commitment to renewable energy, with the goal of strengthening its world leadership position in this sector.

In addition, Enel confirms research and technological innovation among its strategic priorities, to make energy production and consumption more efficient and responsible. Enel will also continue to focus constant attention on the quality of service for end users and the value of relationships with local communities through a transparent policy of corporate social responsibility.

Acting through the Group companies, Enel will continue to implement initiatives to boost operating efficiency and maximize synergies in all the countries in which it operates, while pursuing rigorous financial discipline in investment decisions in order to improve the consolidated financial position even further.

In this context, the geographical and technological diversification achieved by the Enel Group, together with a well-balanced portfolio of regulated and unregulated businesses, will enable Enel to largely offset the impact that the weakness of the European economies, especially Italy and Spain, could have on the Group's performance.

Other information

Non-EU subsidiaries

At the date of approval by the Board of Directors of the financial statements of Enel SpA for 2011 – March 7, 2012 – the Enel Group meets the “conditions for the listing of shares of companies with control over companies established and regulated under the law non-EU countries” (hereinafter “non-EU subsidiaries”) established by

graph 2, of the CONSOB Market Rules with effect from July 1, 2008, fourteen non-EU subsidiaries of the Enel Group have been identified to which the rules in question apply on the basis of the consolidated accounts of the Enel Group at December 31, 2010.

They are: 1) Ampla Energia e Serviços SA (a Brazilian



CONSOB with Article 36 of the Market Rules (approved with Resolution 16191 of October 29, 2007 as amended with Resolution 16530 of June 25, 2008).

Specifically, we report that:

> in application of the materiality criteria for the purposes of consolidation introduced in Article 36, para-

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 de Distribución Eléctrica de Lima Norte SAA (a Peruvian company belonging to the Endesa Group); 8) Empresa Distribuidora Sur SA (an Argentine company belonging to the Endesa Group); 9) Empresa Nacional de Electricidad - Endesa Chile SA (a Chilean company belonging to the Endesa Group); 10) Endesa Brasil SA (a Brazilian company belonging to the Endesa Group); 11) Endesa Capital Finance LLC (a US company belonging to the Endesa Group); 12) Enel Green Power North America Inc. (a US company belonging

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 2011 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 11971 of May 14, 1999, as amended);



to the Enel Green Power Group); 13) Enersis SA (a Chilean company belonging to the Endesa Group); and 14) OGK-5 OJSC (a Russian subsidiary of Enel Investment Holding BV);

> the balance sheet and income statement for the 2011 financial statements of the above companies included

> 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 Energy and Gas.

The transactions Enel SpA entered into with its subsidiaries mainly involved services, the provision and employment of financial resources, insurance coverage, human resource management and organization, legal and corporate services, and the planning and coordination of tax and administrative activities.

All the transactions are part of routine operations, are carried out in the interest of the Company and are settled on an arm's length basis, i.e. on the same market terms as agreements entered into between two independent parties.

Finally, the Enel Group's corporate governance rules (for

more details see the appropriate section in this Report) establish conditions for ensuring that transactions with related parties are performed in accordance with procedural and substantive propriety.

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/) 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 replaced, 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 31 to the financial statements for information on transactions with related parties.

Own shares

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

Atypical or unusual operations

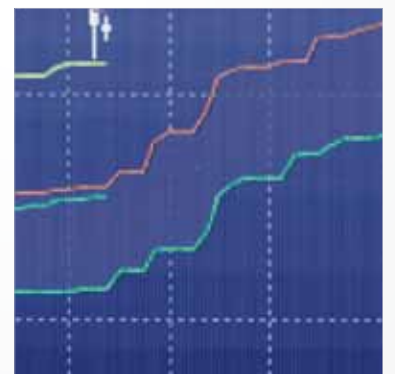
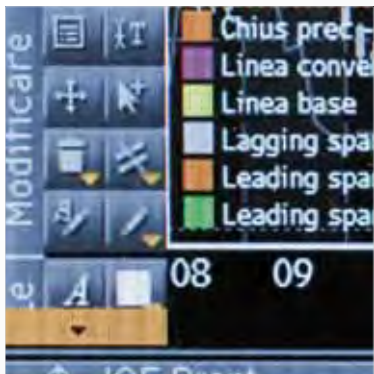
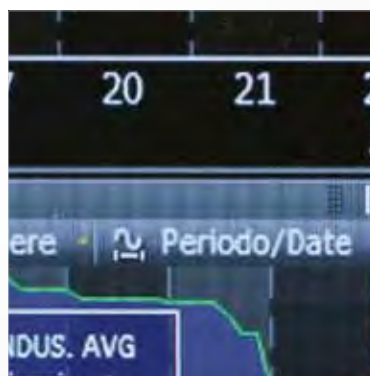
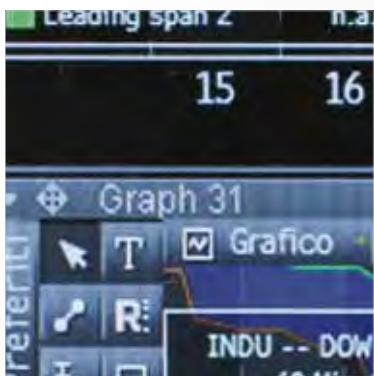
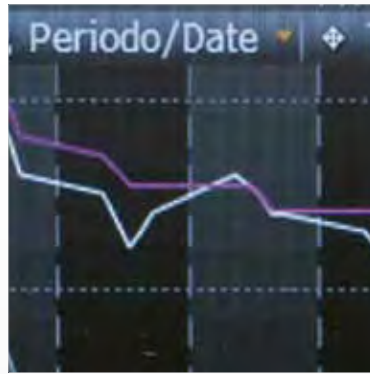
Pursuant to the CONSOB Notice of July 28, 2006, Enel did not carry out any atypical or unusual operations in 2011. Such operations include transactions whose significance, size, nature of the counterparties, object, method for calculating the transfer price or timing could give rise to doubts concerning 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)

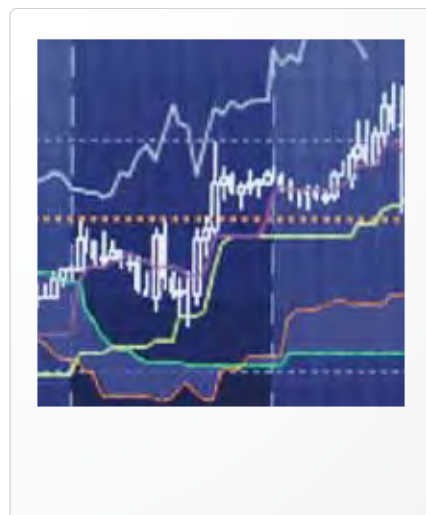
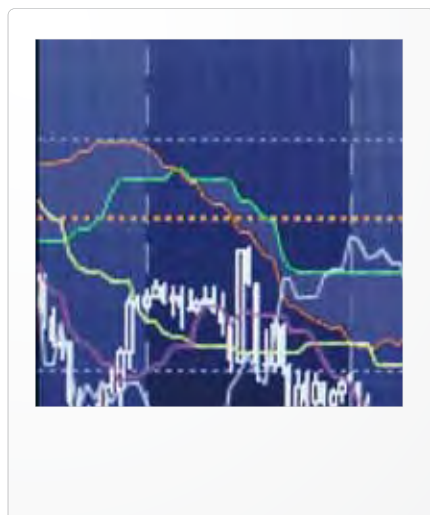
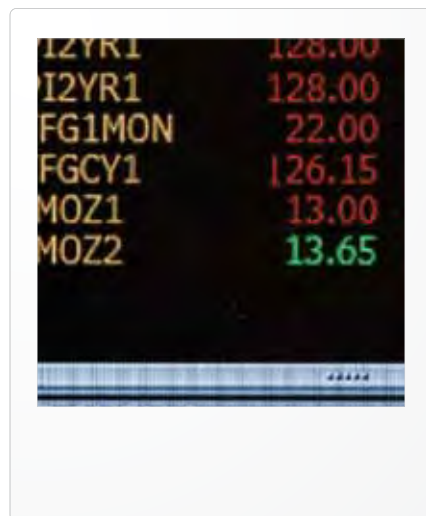
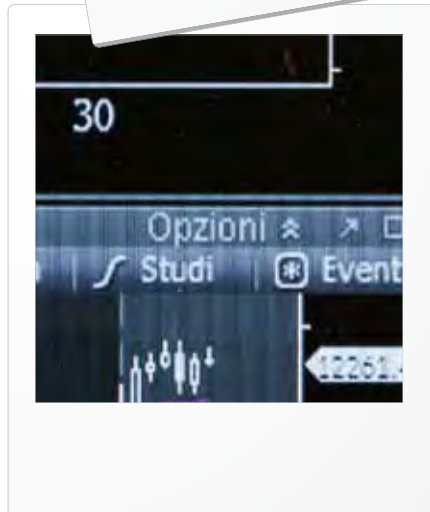
Enel SpA prepared its Security Policy Document pursuant to Article 34 of the “Personal Data Protection Code” (Legislative Decree 196 of June 30, 2003). The document is updated as required by the law.

Subsequent events

Significant events following the close of the year are discussed in note 35 to the financial statements.



Financial statements



Income Statement

Euro	Notes				
		2011		2010	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Revenues					
Revenues from sales and services	5.a	731,996,798	731,127,463	669,463,162	668,326,497
Other revenues and income	5.b	29,843,881	6,193,674	6,796,654	5,400,192
	(Subtotal)	761,840,679		676,259,816	
Net proceeds from the sale of equity investments	6	-		731,388,243	(2,237,027)
Costs					
Electricity purchases and consumables	7.a	360,847,972	20,792,652	341,795,379	24,885,778
Services, leases and rentals	7.b	275,611,874	99,610,251	267,283,345	98,630,187
Personnel	7.c	117,769,547	66,944	98,838,288	67,715
Depreciation, amortization and impairment losses	7.d	33,323,736		22,324,338	
Other operating expenses	7.e	70,176,977	24,801,576	40,627,913	(15,890,299)
	(Subtotal)	857,730,106		770,869,263	
Operating income		(95,889,427)		636,778,796	
Income from equity investments	8	3,222,917,669	3,222,917,669	3,368,826,383	3,368,826,383
Financial income	9	2,826,269,667	1,351,717,889	2,086,740,090	674,360,564
Financial expense	9	3,698,358,233	1,819,532,119	3,219,183,538	1,260,411,085
	(Subtotal)	2,350,829,103		2,236,382,935	
Income before taxes		2,254,939,676		2,873,161,731	
Income taxes	10	(211,966,421)		(243,354,319)	
NET INCOME FOR THE YEAR		2,466,906,097		3,116,516,050	

Statement of Comprehensive Income for the year

Euro	Notes	2011	2010
Net income for the year		2,466,906,097	3,116,516,050
Other components of comprehensive income			
Effective portion of change in the fair value of cash flow hedges		(101,374,585)	6,513,762
Change in the fair value of financial investments available for sale		(58,364,276)	18,175,726
Income/(Loss) recognized directly in equity	23	(159,738,861)	24,689,488
COMPREHENSIVE INCOME FOR THE YEAR		2,307,167,236	3,141,205,538

Balance Sheet

Euro	Notes	at Dec. 31, 2011		at Dec. 31, 2010	
ASSETS					
			<i>of which with related parties</i>		<i>of which with related parties</i>
Non-current assets					
Property, plant and equipment	11	5,865,954		4,659,792	
Intangible assets	12	16,969,037		15,484,907	
Deferred tax assets	13	357,494,958		327,752,797	
Equity investments	14	38,758,948,454		38,830,952,712	
Non-current financial assets	15	2,080,352,471	608,604,779	1,448,182,734	630,379,356
Other non-current assets	16	262,077,208	219,371,747	264,140,285	222,059,330
	(Total)	41,481,708,082		40,891,173,227	
Current assets					
Trade receivables	17	573,515,271	565,714,810	542,025,030	532,757,670
Income tax receivables	18	366,253,189		271,880,718	
Current financial assets	19	9,667,872,881	8,647,689,143	9,692,900,153	8,900,184,063
Cash and cash equivalents	20.5	1,832,005,974		2,116,993,346	
Other current assets	21	244,164,247	180,963,227	256,565,833	205,251,722
	(Total)	12,683,811,562		12,880,365,080	
Non-current assets held for sale	22	1,000		1,000	
TOTAL ASSETS		54,165,520,644		53,771,539,307	

LIABILITIES AND SHAREHOLDERS' EQUITY		at Dec. 31, 2011		at Dec. 31, 2010	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Shareholders' equity					
Share capital		9,403,357,795		9,403,357,795	
Other reserves		9,382,253,911		9,541,842,828	
Retained earnings/(Loss carried forward)		3,877,772,952		3,394,197,084	
Net income for the year ⁽¹⁾		1,526,570,317		2,176,180,271	
TOTAL SHAREHOLDERS' EQUITY	23	24,189,954,975		24,515,577,978	
Non-current liabilities					
Long-term loans	20.1	18,082,820,442	2,500,000,000	22,325,842,803	2,797,225,935
Post-employment and other employee benefits	24	350,166,542		363,105,054	
Provisions for risks and charges	25	37,048,298		33,124,275	
Deferred tax liabilities	13	190,677,860		125,693,569	
Non-current financial liabilities	26	2,575,033,673	844,303,292	1,998,973,334	392,228,378
Other non-current liabilities	27	41,095,206	41,095,207	40,490,865	40,490,865
	<i>(Subtotal)</i>	21,276,842,021		24,887,229,900	
Current liabilities					
Short-term loans	20.2	2,471,801,585	1,193,284,149	1,842,086,502	1,496,062,284
Current portion of long-term loans	20.1	4,113,322,537		805,531,348	
Trade payables	28	328,606,769	119,919,316	349,998,732	96,693,274
Current financial liabilities	29	1,031,247,262	442,037,779	788,682,175	117,295,679
Other current liabilities	30	753,745,495	284,250,843	582,432,672	331,862,620
	<i>(Subtotal)</i>	8,698,723,648		4,368,731,429	
TOTAL LIABILITIES		29,975,565,669		29,255,961,329	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		54,165,520,644		53,771,539,307	

(1) Net income is reported net of interim dividend equal to €940.3 million (€940.3 million at December 31, 2010).

Statement of Changes in Equity

Share capital and reserves (note 23)

Euro	Share capital	Share premium reserve	Legal reserve
at January 1, 2010	9,403,357,795	5,292,076,658	1,452,085,638
Other changes	-	-	-
Exercise of stock options	-	-	-
Stock option changes for the year	-	-	-
Allocation of 2009 net income			
- Dividends	-	-	-
- Legal reserve	-	-	428,585,921
- Retained earnings/(Loss carried forward)	-	-	-
2010 interim dividend ⁽¹⁾	-	-	-
Comprehensive income for the year			
Income/(Loss) recognized directly in equity	-	-	-
Net income for the year	-	-	-
Total at December 31, 2010	9,403,357,795	5,292,076,658	1,880,671,559
at January 1, 2011	9,403,357,795	5,292,076,658	1,880,671,559
Other changes	-	-	-
Exercise of stock options	-	-	-
Stock option changes for the year	-	-	-
Allocation of 2010 net income			
- Dividends	-	-	-
- Retained earnings/(Loss carried forward)	-	-	-
2011 interim dividend ⁽²⁾	-	-	-
Comprehensive income for the year			
Income/(Loss) recognized directly in equity	-	-	-
Net income for the year	-	-	-
TOTAL AT DECEMBER 31, 2011	9,403,357,795	5,292,076,658	1,880,671,559

(1) 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.

(2) Approved by the Board of Directors on September 28, 2011, with ex-dividend date of November 21, 2011 and payment as from November 24, 2011.

Reserve pursuant to Law 292/1993	Other reserves	Reserve from measurement of financial instruments	Retained earnings/ (Loss carried forward)	Net income for the year	Total shareholders' equity
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
2,215,444,500	68,085,970	85,564,141	3,394,197,084	2,176,180,271	24,515,577,978
-	-	-	-	-	-
-	-	-	-	-	-
-	149,944	-	-	-	149,944
-	-	-	-	(1,692,604,403)	(1,692,604,403)
-	-	-	483,575,868	(483,575,868)	-
-	-	-	-	(940,335,780)	(940,335,780)
-	-	(159,738,861)	-	-	(159,738,861)
-	-	-	-	2,466,906,097	2,466,906,097
2,215,444,500	68,235,914	(74,174,720)	3,877,772,952	1,526,570,317	24,189,954,975

Statement of Cash Flows

Euro

Notes

		2011	2010	
		<i>of which with related parties</i>		<i>of which with related parties</i>
Net income for the year		2,466,906,097	3,116,516,050	
Adjustments for:				
Depreciation and amortization of property, plant and equipment and intangible assets	7.d	13,545,836	7,436,823	
Exchange rate adjustments of foreign currency assets and liabilities		39,838,912	40,328,910	
Provisions		36,027,057	32,385,253	
Dividends from subsidiaries, associates and other companies	8	(3,222,917,669)	(3,222,917,669)	(3,368,826,383)
Financial (income)/expense		817,737,654	467,814,231	1,076,803,498
Income taxes	10	(211,966,421)	(243,354,319)	
(Gains)/Losses and other non-monetary items		22,821,516	24,026,112	(824,965,643)
Cash flows from operating activities before changes in net current assets		(38,007,018)	(163,675,811)	
Increase/(Decrease) in provisions		(47,997,742)	(42,200,977)	
(Increase)/Decrease in trade receivables	17	(31,490,241)	(32,957,140)	(25,552,273)
(Increase)/Decrease in financial and non-financial assets/liabilities		1,313,513,223	(343,136,201)	2,099,214,663
Increase/(Decrease) in trade payables	28	(21,391,963)	23,226,042	29,243,578
Interest income and other financial income collected		1,105,463,147	644,255,106	1,216,174,557
Interest expense and other financial expense paid		(1,986,046,315)	(322,446,597)	(2,086,667,709)
Dividends collected from subsidiaries, associates and other companies	8	3,222,917,669	3,222,917,669	3,368,826,383
Income taxes paid (consolidated taxation mechanism)		(1,039,608,807)	(1,311,573,427)	
Cash flows from operating activities (a)		2,477,351,953	3,083,788,984	
Investments in property, plant and equipment and intangible assets	11,12	(13,279,933)	(10,898,764)	(7,009,271)
Disposals of property, plant and equipment and intangible assets	11,12	-	186,266	
Equity investments	14	(33,887,975)	(33,887,975)	(16,527,000)
Disposals of equity investments	14	39,686,650	2,434,339,625	
Cash flows from investing/disinvesting activities (b)		(7,481,258)	2,410,989,620	
Long-term debt (new borrowing)	20.1	2,000,000,000	2,927,352,590	
Long-term debt (repayments)	20.1	(2,937,033,908)	(300,000,000)	(10,619,951,166)
Net change in long-term financial payables/(receivables)		(3,388,968,774)	20,136,168	19,237,477
Net change in short-term financial payables/(receivables)		4,204,084,798	(84,944,179)	5,651,262,281
Dividends and interim dividends paid	23	(2,632,940,183)	(2,350,839,449)	
Cash flows from financing activities (c)		(2,754,858,067)	(4,372,938,267)	
Increase/(Decrease) in cash and cash equivalents (a+b+c)		(284,987,372)	1,121,840,337	
Cash and cash equivalents at the beginning of the year	20.5	2,116,993,346	995,153,009	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20.5	1,832,005,974	2,116,993,346	

Notes to the financial statements

1

Form and content of the financial statements

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

As Parent Company, Enel SpA prepared the consolidated financial statements of the Enel Group for the year ending December 31, 2011, presented in a separate publication. On March 7, 2012 the Board of Directors authorized the publication of these financial statements at December 31, 2011.

These financial statements have undergone statutory auditing by Reconta Ernst & Young SpA.

Compliance with IFRS/IAS

The separate financial statements for the year ended December 31, 2011 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 the 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) 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 shareholders' equity, the statement of cash flows and the related notes. The assets and liabilities reported in the balance sheet are classified on a "current/non-current basis", with separate reporting of assets and liabilities held for sale, where present. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the Company or in the twelve months following the balance sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Company or within the twelve months following the close of the financial year.

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

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 the disclosure required for contingent assets and liabilities at the balance sheet date. The estimates and the related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected in the income statement.

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

Changes in the conditions underlying the assumptions and judgments could have 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.

Other

In addition to the above items, estimates were used in measuring financial instruments and share-based payments. The estimate and the assumptions adopted for those items are reported in the comments to the accounting policies used

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, 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 in accordance with IAS 36. 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. It is increased by the present value of the estimate of the costs of decommissioning and restoring the asset where there is a legal or constructive obligation to do so. The borrowing costs associated with the acquisition of property, plant and equipment are expensed except where they are directly attributable to the acquisition of an asset that justifies their capitalization (qualifying assets).

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 will flow to the enterprise and the cost of the item can be reliably determined. All other expenditure is recognized as an expense in the period in which it is incurred.

The cost of replacing part or all of an asset is recognized as an increase in the value of the asset and is depreciated over its useful life; the net carrying amount of the replaced

unit is eliminated through profit or loss, with the recognition of any capital gain/loss.

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

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

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

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

Intangible assets

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

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

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

Amortization commences when the asset is ready for use. Intangible assets mainly regard 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 with a definite life are reviewed at least once a year to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount is estimated.

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

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

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

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

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

Financial instruments

Financial assets measured at fair value through profit or loss

This category (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 and 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.

Impairment of financial assets

At each balance sheet date, financial assets are analyzed to determine whether their value is impaired.

A financial asset is considered impaired when there is objective evidence of such impairment loss as the result of one or more events that occurred after the initial recognition of the asset that have had an impact on the reliably estimated future cash flows of the asset.

Objective evidence of an impairment loss includes observable data about events such as, for example, significant financial difficulty of the obligor; default or delinquency in interest or principal payments; it becoming probable that

the borrower will enter bankruptcy or other form of financial reorganization; or observable data indicating a measurable decrease in estimated future cash flows. Where an impairment loss is found, the latter is calculated as indicated above for each type of financial asset involved.

When there is no realistic chance of recovering the financial asset, the corresponding value of the asset is written off through profit or loss.

Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, are 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 end-period exchange rates.

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

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 but that are observable either directly or indirectly;
- > 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. If lower, they are not recognized.

Where the Company shows a demonstrable commitment, with a formal plan without realistic possibility of withdrawal, to a termination before retirement eligibility has been reached, the benefits due to employees in respect of the termination are recognized as a cost and measured on the basis of the number of employees that are expected to accept the offer.

Share-based payments

Stock option plans

The cost of services rendered by employees and remunerated through stock option plans is determined based on the fair value of the options granted to employees at the grant date.

The calculation method to determine the fair value considers all characteristics of the option (option term, price and exercise conditions, etc.), as well as the Enel share price at the grant date, the volatility of the stock and the yield curve at the grant date consistent with the expected life of the plan. The pricing model used is the Cox-Rubinstein. This cost is recognized in the income statement, with a specific contra-item in shareholders' equity, over the vesting period considering the best estimate possible of the number of options that will vest.

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

Restricted share units incentive plans

The cost of services rendered by employees and remunerated through restricted share units (RSU) incentive plans is determined based on the fair value of the RSU granted to employees, in relation to the vesting of the right to receive the benefit.

The calculation method to determine the fair value considers all characteristics of the RSU (term, exercise conditions, etc.), as well as the price and volatility of Enel shares over the vesting period. The pricing model used is the 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);
- > 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 Company's liquidity, accrued interest in application of amortized cost, changes in the fair value of financial assets recognized through profit or loss, foreign exchange gains and gains on hedges recognized through profit or loss.

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

Dividends

Dividends from equity investments are recognized when the shareholders' 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.

Deferred tax assets and liabilities in respect of taxes levied by the same tax authority are offset if the Company has a legal right to offset current tax assets against current tax liabilities generated at the time they reverse.

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

3

Recently issued accounting standards

First-time adoption and applicable standards

> *"IAS 24 – Related party disclosures"*: the standard replaces the previous version of IAS 24. It allows companies that are subsidiaries or under the significant influence of a government agency to provide 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 retrospective application of IAS 24 did not have an impact on Enel SpA during the period.

> *"Amendments to IFRIC 14 – Prepayments of a minimum funding requirement"*: the changes clarify the accounting treatment under the so-called asset ceiling rules, in cases of prepayment of a minimum funding requirement (MFR). More specifically, the amended interpretation sets out new rules for measuring the economic benefits of reducing future MFR contributions.

The retrospective application of the standard did not have a significant impact on Enel SpA.

> *"IFRIC 19 – Extinguishing financial liabilities with equity instruments"*: 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 retrospective application of the interpretation did not have an impact on Enel SpA.

> *"Amendments to IAS 32 – Financial instruments: Presentation"*: the amendment specifies that rights, options or warrants that entitle the holder to purchase a specific

number of equity instruments of the entity issuing such rights for a specified amount of any currency shall be classified as equity instruments if (and only if) they are offered pro rata to all existing holders of the same class of equity instruments (other than derivatives).

The retrospective application of the amendment did not have an impact on Enel SpA.

> *"Improvements to International Financial Reporting Standards"*: the changes regard improvements to existing standards. The main developments applicable to the financial statements regard:

- *"IFRS 7 – Financial instruments: Disclosures"*: specifies that for each class of financial instrument, disclosure of the company's maximum exposure to credit risk is mandatory only if the carrying amount of such instruments does not reflect that exposure. It also requires disclosures concerning the financial effect of collateral and other credit enhancements (e.g. a quantification of the extent to which the collateral and other credit enhancements mitigate credit risk). It also clarifies that the disclosures required for financial and non-financial assets obtained during the period by taking possession of collateral are mandatory only in the case such assets were still held at the end of the period. Finally, disclosure is no longer required on the carrying amount of financial assets that would have been past due or impaired if their terms had not been renegotiated and it is no longer necessary to quantify the fair value of the collateral and other credit enhancements of past-due financial assets that are not impaired. The retrospective application of these changes did not have a significant impact on Enel SpA.

- *"IAS 1 – Presentation of financial statements"*: specifies that the analysis of each element of "other comprehensive income" (OCI) can be presented either in the statement of changes in equity or in the notes to the financial statements.

The retrospective application of the amendment did not have an impact on Enel SpA.

Standards not yet adopted and not yet applicable

In 2011, the European Commission endorsed the following amendments, which will be applicable to the Company as from January 1, 2012:

> *"Amendments to IFRS 7 – Financial instruments: Disclosures"*, issued in October 2010; the amendments re-

quire 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 amended 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. Enel SpA is assessing the potential impact of the future application of the measures.

In 2009, 2010 and 2011, 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, 2011 had not yet been endorsed by the European Commission. The rules that could have an impact on the financial statements of the Company 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. Financial assets must be classified based on the business model of the entity and the characteristics of the associated cash flows. 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, which was amended in December 2011 with regard to the effective date, will take effect, subject to endorsement, for periods beginning on or after January 1, 2015. The Company is assessing the potential impact of the future application of the measures.

> *"Amendments to IFRS 9 and IFRS 7 – Mandatory effective date and transition disclosure"*, issued in December 2011. The amendment modifies *IFRS 9 – Financial instruments*, postponing the mandatory effective date from January 1, 2013 to January 1, 2015 and establishing new rules for the transition from IAS 39 to IFRS 9. It also modifies *IFRS 7 – Financial instruments: Disclosures*, introducing new comparative disclosures, which will be

mandatory or optional depending on the date of transition to IFRS 9.

The amendments establish that companies that adopt IFRS 9 for the first time always have the option of not restating prior periods. More specifically, companies that adopt IFRS 9 for reporting periods beginning before January 1, 2012 are not required to restate prior periods or provide the additional disclosures to those already provided for following the amendments made to IFRS 7 with the issue of IFRS 9; companies that adopt IFRS 9 for periods beginning from January 1, 2012 until December 31, 2012 may elect to either restate prior periods or provide the additional comparative disclosures in accordance with the amendments to IFRS 7; companies that adopt IFRS 9 for periods beginning from January 1, 2013 until January 1, 2015 are required to provide the additional comparative disclosures in accordance with the amendments to IFRS 7 regardless of whether they restate prior periods, which they may but are not required to do.

The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2015. The Company is assessing the potential impact of the future application of the measures.

- > "*IFRS 11 – Joint arrangements*", issued in May 2011 replaces "*IAS 31 – Interests in joint ventures*" and "*SIC 13 – Jointly controlled entities. Non-monetary contributions by venturers*". Unlike IAS 31, which assesses joint arrangements on the basis of the contractual form adopted, IFRS 11 assesses them on the basis of how the related rights and obligations are attributed to the parties. In particular, the new standard identifies two types of joint arrangement: joint operations, where the parties to the arrangement have pro-rata rights to the assets and pro-rata obligations for the liabilities relating to the arrangement; and joint ventures, where the parties have rights to the net assets or results of the arrangement.

In the individual financial statements, accounting for an interest in a joint operation involves the recognition of the assets/liabilities and revenues/expenses related to the arrangement on the basis of the associated rights/obligations, without taking account of the interest held (interests in joint ventures may no longer be recognized). Accounting for an interest in a joint venture involves the recognition of an investment valued, at present, in line with cost or fair value.

The new standard will take effect retrospectively, subject to endorsement, for annual reporting periods be-

ginning on or after January 1, 2013. The Company is assessing the potential impact of the future application of the measures.

- > "*IFRS 13 – Fair value measurement*", issued in May 2011, represents a single IFRS framework to be used whenever another accounting standard requires or permits the use of fair value measurement. The standard sets out guidelines for measuring fair value and, in addition, introduces specific disclosure requirements.

The new standard will take effect prospectively, subject to endorsement, for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the potential impact of the future application of the measures.

- > "*IAS 27 – Separate financial statements*", issued in May 2011. Together with the issue of IFRS 10 and IFRS 12, the current IAS 27 was amended, with changes to its title and its content. All provisions concerning the preparation of consolidated financial statements were eliminated, while the other provisions were not modified. Following the amendment, the standard therefore only specifies the recognition and measurement criteria and the disclosure requirements for separate financial statements concerning subsidiaries, joint ventures and associates. The new standard will take effect retrospectively, subject to endorsement, for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the potential impact of the future application of the measures.

- > "*Amendment to IAS 1 – Presentation of items of other comprehensive income*", issued in June 2011. The amendment calls for the separate presentation of items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future ("recycling") and those that will not be recycled. The amendment will take effect retrospectively, subject to endorsement, for annual reporting periods beginning on or after January 1, 2013. The Company does not expect the future application of the measures to have a significant impact.

- > "*IAS 19 – Employee benefits*", issued in June 2011; the standard supersedes the current IAS 19 governing the accounting treatment of employee benefits. The most significant change regards the requirement to recognize all actuarial gains/losses in OCI, with the elimination of the corridor approach. The amended standard also introduces more stringent rules for disclosures, with the disaggregation of the cost into three components; eliminates the expected return of plan assets; no

longer permits the deferral of the recognition of past service cost; provides for enhanced disclosures; and introduces more detailed rules for the recognition of termination benefits. The new standard will take effect retrospectively, subject to endorsement, for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the potential impact of the future application of the measures.

- > *"Amendments to IAS 32 – Offsetting financial assets and financial liabilities"*, issued in December 2011. IAS 32 – *Financial instruments* establishes that a financial asset and a financial liability should be offset and the net amount reported in the balance sheet when, and only when, an entity:

- a) has a legally enforceable right to set off the amounts; and
- b) intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The amendments to IAS 32 clarify the conditions that must be met for these two requirements to be satisfied. As regards the first requirement, the amendment expands the illustration of cases in which an entity "currently has a legally enforceable right of set-off", while as regards the second the amendment clarifies that where the entity settles the financial asset and liability separately, for set-off to be allowed the associated credit and liquidity risk should be significant and, in this regard, specifies the characteristics that gross settlement systems must have.

The amendments will take effect retrospectively, subject to endorsement, for annual reporting periods beginning on or after January 1, 2014. The Company is assessing the potential impact of the future application of the measures.

- > *"Amendments to IFRS 7 – Offsetting financial assets and financial liabilities"*, issued in December 2011, in parallel with the amendments to IAS 32; the amendments establish more extensive disclosures for the offsetting of financial assets and liabilities, with a view to enabling users of financial statements to assess the actual and potential effects on the entity's financial position of netting arrangements, including the set-off rights associated with recognized assets or liabilities.

The amendments will take effect retrospectively, subject to endorsement, for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the potential impact of the future application of the measures.

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 risks, Enel SpA generally hedges these exposures using over-the-counter derivatives (OTC).

Transactions that meet the requirements of IAS 39 may be designated for hedge accounting purposes as cash flow hedges, otherwise they are classified as trading transactions.

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

The scale of transactions in derivatives outstanding at December 31, 2011 is reported below, with specification of the fair value and notional amount of each class of instru-

ment 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 is 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 2011 Enel SpA entered into a variety of derivatives contracts, notably interest rate swaps and interest rate collars, as detailed below:

Millions of euro	Notional amount	
	at Dec. 31, 2011	at Dec. 31, 2010
Interest rate derivatives		
Interest rate swaps	10,987.2	11,428.0
Interest rate collars	2,700.0	2,700.0
Total	13,687.2	14,128.0

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

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

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

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

The notional amount of open interest rate swaps at the end of the year was €10,987.2 million (€11,428.0 million at December 31, 2010), of which €5,114.0 million (€5,136.6 million at December 31, 2010) in respect of hedges of the Company's share of floating-rate debt, €2,886.6 million (€3,095.7 million at December 31, 2010) in respect of contracts with the same notional amount intermediated with the market for Group companies and €100.0 million

(€100.0 million at December 31, 2010) 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 2010), in respect of transactions originally entered into to hedge Enel SpA's debt relating to the syndicated credit line (original amount of €35 billion). Compared with the previous year, €1,000.0 million has been reclassified from cash flow hedge derivatives to trading derivatives following the early repayment of the underlying.

The following table reports the notional amount and fair value of interest rate derivatives at December 31, 2011 and December 31, 2010.

Millions of euro	Notional amount		Fair value		Notional assets		Fair value assets		Notional liabilities		Fair value liabilities	
	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010
Cash flow hedge derivatives:	3,590.0	4,590.0	(283.0)	(278.5)	-	150.0	-	3.3	3,590.0	4,440.0	(283.0)	(281.8)
Interest rate swaps	2,590.0	2,590.0	(274.9)	(215.3)	-	150.0	-	3.3	2,590.0	2,440.0	(274.9)	(218.6)
Interest rate collars	1,000.0	2,000.0	(8.1)	(63.2)	-	-	-	-	1,000.0	2,000.0	(8.1)	(63.2)
Trading derivatives:	10,097.2	9,538.0	(126.9)	(165.7)	2,886.6	3,095.7	219.0	170.9	7,210.6	6,442.3	(345.9)	(336.6)
Interest rate swaps	8,397.2	8,838.0	(114.1)	(146.1)	2,886.6	3,095.7	219.0	170.9	5,510.6	5,742.3	(333.1)	(317.0)
Interest rate collars	1,700.0	700.0	(12.8)	(19.6)	-	-	-	-	1,700.0	700.0	(12.8)	(19.6)
Total interest rate swaps	10,987.2	11,428.0	(389.0)	(361.4)	2,886.6	3,245.7	219.0	174.2	8,100.6	8,182.3	(608.0)	(535.6)
Total interest rate collars	2,700.0	2,700.0	(20.9)	(82.8)	-	-	-	-	2,700.0	2,700.0	(20.9)	(82.8)
TOTAL INTEREST RATE DERIVATIVES	13,687.2	14,128.0	(409.9)	(444.2)	2,886.6	3,245.7	219.0	174.2	10,800.6	10,882.3	(628.9)	(618.4)

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, 2011	2012	2013	2014	2015	2016	Beyond
CFH on interest rates							
Derivatives with positive fair value pertaining to Enel SpA	-	-	-	-	-	-	-
Derivatives with negative fair value pertaining to Enel SpA	(283.0)	(78.1)	(73.1)	(60.0)	(27.9)	(7.5)	(90.9)
Trading derivatives on interest rates							
Derivatives with positive fair value pertaining to Enel SpA	-	-	-	-	-	-	-
Derivatives with negative fair value pertaining to Enel SpA	(127.7)	(65.6)	(23.9)	(13.3)	(4.6)	(4.0)	(49.2)
Derivatives with positive fair value on behalf of Group companies	219.0	61.2	55.1	42.2	27.9	16.7	39.4
Derivatives with negative fair value on behalf of Group companies	(218.2)	(60.7)	(54.8)	(42.2)	(27.9)	(16.7)	(39.4)

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, 2011, 51% of net long-term debt was floating rate (42% at December 31, 2010). Taking account of cash flow hedges considered effective pursuant to the IFRS-EU, 33% of the debt was exposed to interest rate risk (24% at December 31, 2010).

Including interest rate derivatives treated as hedges for

management purposes but ineligible for hedge accounting, the residual exposure of net financial debt to interest rate risk would be 23% (13% at December 31, 2010).

If interest rates had been 25 basis point (0.25%) higher at December 31, 2011, all other variables being equal, shareholders' equity would have been €26.3 million higher (€30.0 million at December 31, 2010) as a result of the increase in the fair value of CFH derivatives on interest rates. Conversely, if interest rates had been 25 basis point lower

at that date, all other variables being equal, shareholders' equity would have been €26.3 million lower (€30.0 million at December 31, 2010) as a result of the decrease in the fair value of CFH derivatives on interest rates.

An increase in interest rates of 25 basis point (0.25%), 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 €10.0 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 €10.0 million.

Exchange rate risk

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

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 floating- or fixed-rate liability in euros. In addition to having notionals denominated in different currencies, these instruments differ from interest rate swaps in that they provide for both 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, 2011 and December 31, 2010, broken down by type of hedged item.

Millions of euro	Notional amount	
	at Dec. 31, 2011	at Dec. 31, 2010
Exchange rate derivatives		
Forwards:	9,725.0	10,473.1
- forwards hedging commodities	9,408.0	9,842.0
- forwards hedging future cash flows	317.0	401.4
- other forward contracts	-	229.7
Cross currency interest rate swaps	21,532.3	20,230.4
Total	31,257.3	30,703.5

More specifically, these include:

- > currency forward contracts with a total notional amount of €9,408.0 million (€9,842.0 million at December 31, 2010), of which €4,704.0 million 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 €317.0 million (€631.1 million at December 31, 2010), of which €158.5 million used to hedge the exchange rate risk associated with other cash flows in currencies other than the euro on behalf of the Group companies, with matching market transactions;
- > cross currency interest rate swaps with a notional amount of €21,532.3 million (€20,230.4 million at December 31, 2010) 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, 2011 and December 31, 2010.

Millions of euro	Notional amount		Fair value		Notional assets		Fair value assets		Notional liabilities		Fair value liabilities	
	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010
Cash flow hedge derivatives:	2,739.3	2,660.1	(515.1)	(495.7)	1,364.8	1,278.0	447.0	239.3	1,374.5	1,382.1	(962.1)	(735.0)
Cross currency interest rate swaps	2,739.3	2,660.1	(515.1)	(495.7)	1,364.8	1,278.0	447.0	239.3	1,374.5	1,382.1	(962.1)	(735.0)
Trading derivatives:	28,518.0	28,043.4	-	(1.3)	14,259.0	14,021.0	1,452.3	824.6	14,259.0	14,022.4	(1,452.3)	(825.9)
Forwards	9,725.0	10,473.1	-	(1.3)	4,862.5	5,235.8	392.5	157.2	4,862.5	5,237.3	(392.5)	(158.5)
Cross currency interest rate swaps	18,793.0	17,570.3	-	-	9,396.5	8,785.2	1,059.8	667.4	9,396.5	8,785.1	(1,059.8)	(667.4)
Total forwards	9,725.0	10,473.1	-	(1.3)	4,862.5	5,235.8	392.5	157.2	4,862.5	5,237.3	(392.5)	(158.5)
Total cross currency interest rate swaps	21,532.3	20,230.4	(515.1)	(495.7)	10,761.3	10,063.2	1,506.8	906.7	10,771.0	10,167.2	(2,021.9)	(1,402.4)
TOTAL EXCHANGE RATE DERIVATIVES	31,257.3	30,703.5	(515.1)	(497.0)	15,623.8	15,299.0	1,899.3	1,063.9	15,633.5	15,404.5	(2,414.4)	(1,560.9)

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, 2011		2012	2013	2014	2015	2016 Beyond
CFH on exchange rates							
Derivatives with positive fair value pertaining to Enel SpA	447.0		56.0	57.1	54.9	51.7	- 317.5
Derivatives with negative fair value pertaining to Enel SpA	(962.1)		(67.1)	(68.2)	(66.1)	(62.8)	- (785.0)
Trading derivatives on exchange rates							
Derivatives with positive fair value pertaining to Enel SpA	-		-	-	-	-	-
Derivatives with negative fair value pertaining to Enel SpA	-		-	-	-	-	-
Derivatives with positive fair value on behalf of Group companies	1,452.3		395.7	134.5	154.2	39.6	- 946.9
Derivatives with negative fair value on behalf of Group companies	(1,452.3)		(395.7)	(134.5)	(154.2)	(39.6)	- (946.9)

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
	at Dec. 31, 2011			at Dec. 31, 2010		
Trade receivables in foreign currency	-	-	-	0.3	-	-
Trade payables in foreign currency	0.1	0.1	78,0	0.1	0.1	91.0
Loans and other financial liabilities in foreign currency	-	1,125.7 ⁽¹⁾	-	-	1,125.2 ⁽¹⁾	-
Total	0.1	1,125.8	78,0	0.4	1,125.3	91.0

(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 (6% at December 31, 2010), is fully hedged by cross currency interest rate swaps.

At December 31, 2011, 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 €182.7 million lower (€156.8 million at December 31, 2010) 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 €223.4 million higher (€191.6 million at December 31, 2010) as a result of the increase in the fair value of CFH derivatives on exchange rates.

Commodity risk

At December 31, 2011, Enel SpA did not hold any commodity derivatives. In addition, the analysis of its contracts did not reveal any embedded derivatives that must be separated from the host contract in accordance with IAS 39.

Credit risk

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

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, 2011, 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 €14,154.4 million (€13,791.8 million at December 31, 2010). Of the total, €9,748.0 million regard exposures in respect of Group companies.

Millions of euro

	at Dec. 31, 2011		at Dec. 31, 2010		Change
	<i>of which Group</i>		<i>of which Group</i>		
Non-current financial receivables	321.6	165.5	330.4	181.0	(8.8)
Non-current financial derivatives	1,734.3	443.1	1,084.2	449.4	650.1
Other non-current financial assets	3.3	-	3.3	-	-
Trade receivables	581.0	491.8	549.6	464.4	31.4
Current financial receivables	8,301.3	8,301.3	8,544.2	8,544.2	(242.9)
Current financial derivatives	384.0	73.5	153.8	120.4	230.2
Other current financial assets	996.9	272.8	1,009.3	234.4	(12.4)
Cash and cash equivalents	1,832.0	-	2,117.0	-	(285.0)
Total	14,154.4	9,748.0	13,791.8	9,993.8	362.6

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.

At December 31, 2011, Enel SpA had a total of about €1,832.0 million in cash or cash equivalents (€2,117.0 mil-

lion at December 31, 2010) and committed lines of credit amounting to €5,300.0 million still available.

The limits on the committed credit lines amounted to €7,300.0 million, of which €2,000.0 million has been drawn (€6,700.0 million, fully available at December 31, 2010).

4.a Derivative contracts classified under non-current financial assets - €1,734.3 million

The following table reports the notional amount and fair value of the derivative contracts classified under non-current financial assets, grouped by type and designation.

Millions of euro	Notional amount		Fair value ⁽¹⁾		
	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	Change
Cash flow hedge derivatives:					
- interest rates	-	150.0	-	3.3	(3.3)
- exchange rates	1,364.8	1,278.0	446.9	239.3	207.6
Total	1,364.8	1,428.0	446.9	242.6	204.3
Trading derivatives:					
- interest rates	2,186.6	3,095.7	215.5	170.9	44.6
- exchange rates	9,573.0	8,895.2	1,071.9	670.7	401.2
Total	11,759.6	11,990.9	1,287.4	841.6	445.8
TOTAL	13,124.4	13,418.9	1,734.3	1,084.2	650.1

(1) "Level 2" fair value.

The notional amount of cash flow hedge derivatives at December 31, 2011 was €1,364.8 million, while the corresponding fair value was a positive €446.9 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 (€204.3 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, 2011 was €11,759.6 million, while the corresponding fair value was a positive €1,287.4 million. The increase in the fair value of trading derivatives, compared with the previous year, amounting to €445.8 million, is essentially due to trans-

actions to hedge bonds in foreign currency through cross currency interest rate swap and over privately placed bonds issued by Enel Finance International in the 1st Half of 2011. These transactions positively reflect the measurement of positions at December 31, 2011 at year-end exchange rates.

4.b Derivative contracts classified under current financial assets - €384.0 million

The following table reports the notional amount and fair value of derivative contracts classified under current financial assets, grouped by hedge type and designation.

Millions of euro	Notional amount		Fair value ⁽¹⁾		Change
	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	
Trading derivatives:					
- interest rates	700.0	-	3.5	-	3.5
- exchange rates	4,686.0	5,125.8	380.5	153.9	226.6
Total	5,386.0	5,125.8	384.0	153.9	230.1

(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. At December 31, 2011, the item included a notional amount of €700.0 million reclassified from non-current financial assets and relating to

interest rate derivatives contracted by Enel SpA on behalf of Enel Finance International used to hedge the original €35 billion syndicated credit line granted to the latter in 2007 and maturing in April 2012. The increase in the fair value of the derivatives is essentially associated with normal operations.

4.c Derivative contracts classified under non-current financial liabilities - €2,575.0 million

These non-current financial liabilities, totaling €2,575.0 million at December 31, 2011, 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 ⁽¹⁾		
	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	Change
Cash flow hedge derivatives:					
- interest rates	2,190.0	4,440.0	273.0	281.8	(8.8)
- exchange rates	1,374.5	1,382.1	962.0	735.0	227.0
Total	3,564.5	5,822.1	1,235.0	1,016.8	218.2
Trading derivatives:					
- interest rates	2,760.6	6,342.3	268.1	311.5	(43.4)
- exchange rates	9,573.0	8,895.2	1,071.9	670.7	401.2
Total	12,333.6	15,237.5	1,340.0	982.2	357.8
TOTAL	15,898.1	21,059.6	2,575.0	1,999.0	576.0

(1) "Level 2" fair value.

The notional amount of non-current derivatives at December 31, 2011 was €15,898.1 million, while the corresponding fair value was €2,575.0 million, for a decrease of €5,161.5 million and an increase of €576.0 million, respectively, compared with December 31, 2010.

The decline in the notional amount mainly reflects cash flow hedge and trading derivatives on interest rates, mainly in connection with the reclassification of derivatives used to hedge the original €35 billion syndicated credit line contracted by Enel SpA and Enel Finance In-

ternational in 2007 and maturing in April 2012 (total notional amount of €5,350.0 million) to current financial liabilities.

This reclassification includes a notional amount of €1,000.0 million, transferred from "non-current financial liabilities - cash flow hedge derivatives" to "current financial liabilities - trading derivatives", relating to derivatives used to hedge the interest rate risk on the credit facility contracted by Enel SpA, which was overhedged following the early repayment.

4.d Derivative contracts classified under current financial liabilities - €468.3 million

Derivatives classified under current financial liabilities are shown in the table below, which shows both the notional and fair value by type of contract.

Millions of euro	Notional amount		Fair value ⁽¹⁾		Change
	at Dec. 31, 2011	at Dec. 31, 2010	at Dec. 31, 2011	at Dec. 31, 2010	
Cash flow hedge derivatives:					
- interest rates	1,400.0	-	9.9	-	9.9
Total	1,400.0	-	9.9	-	9.9
Trading derivatives:					
- interest rates	4,450.0	100.0	77.9	25.1	52.8
- exchange rates	4,686.0	5,127.2	380.5	155.2	225.3
- other	-	56.5	-	89.3	(89.3)
Total	9,136.0	5,283.7	458.4	269.6	188.8
TOTAL	10,536.0	5,283.7	468.3	269.6	198.7

(1) "Level 2" fair value.

Current derivatives under liabilities have a notional amount of €10,536.0 million and a corresponding fair value of €468.3 million. The increase in the notional amount, equal to €5,252.3 million, is essentially attributable to the mentioned reclassification of derivatives used to hedge the original €35 billion syndicated credit line contracted by Enel SpA and Enel Finance International in 2007 and maturing in April 2012 (total notional amount of €5,350.0 million) from non-current financial liabilities.

Information on the Income Statement

Revenues

5.a Revenues from sales and services - €732.0 million

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

Millions of euro

	2011	2010	Change
Electricity sales	374.4	350.8	23.6
Single Buyer	373.2	346.5	26.7
Other	1.2	4.3	(3.1)
Services	357.6	318.7	38.9
Group companies	355.9	317.5	38.4
Non-Group counterparties	1.7	1.2	0.5
Total revenues from sales and services	732.0	669.5	62.5

Revenues from "electricity sales" mainly regard sales to the Single Buyer (€373.2 million). The increase of €26.7 million compared with 2010 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 increase of €38.9 million compared with the previous year mainly regards an increase (totaling €36.6 million) in revenues from management fees and service activities.

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

- > €651.8 million in Italy;
- > €75.2 million in the European Union;
- > €5.0 million in other non-EU countries.

5.b Other revenues and income - €29.8 million

"Other revenues and income" in 2011 came to €29.8 million, an increase of €23.0 million compared with the previous year (€6.8 million in 2010), essentially attributable to proceeds from the sale of 51% of Deval SpA on November 30, 2011 (€21.1 million).

Net proceeds from the sale of equity investments

6. Net proceeds from the sale of equity investments - €0.0 million

In 2010, the amount of €731.4 million mainly reflected the net gain from the sale in a global public offering of 30.8% of Enel Green Power SpA.

Costs

7.a Electricity purchases and consumables - €360.8 million

"Electricity purchases and consumables" totaled €360.8 million (€341.8 million in 2010) and are essentially accounted for by electricity purchases of €359.0 million (€338.9 million in 2010).

In 2011 a total of 5,256.0 million kWh were purchased, compared with 5,270.4 million kWh in 2010. The pur-

chases refer essentially to power acquired in Switzerland at prices set in long-term contracts with the supplier Alpiq. Costs for electricity purchases rose by €20.1 million compared with the previous year, mainly as a result of an increase in the average purchase price of electricity.

7.b Services, leases and rentals - €275.6 million

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

Millions of euro

	2011	2010	Change
Services	259.3	251.8	7.5
Leases and rentals	16.3	15.5	0.8
Total services, leases and rentals	275.6	267.3	8.3

Costs for "services", totaling €259.3 million, concerned costs for services provided by third parties in the amount of €186.1 million (€190.8 million in 2010) and services provided by Group companies totaling €73.2 million (€61.0 million in 2010).

The decrease of €4.7 million in costs for services provided by third parties is attributable to the decline in costs connected with the acquisition and disposal of companies (€20.4 million), partially offset by higher communication costs (€10.7 million) and the net increase in other costs for sundry services (€5.0 million).

Services rendered by Group companies increased by €12.2 million, mainly due to increased costs incurred in respect of services provided by Enel Servizi (€2.1 million) associated with training personnel, Enel Ingegneria e Innovazione (€4.6 million) for engineering and support services provided in developing environmental policies, as well as rebilling of the costs for seconded Endesa personnel (€3.2 million).

Cost for "leases and rentals" came to €16.3 million, an increase of €0.8 million over the previous year, essentially due to higher costs in leasing property from Enel Servizi Srl.

7.c Personnel - €117.8 million

Personal costs break down as follows:

Millions of euro

	2011	2010	Change
Wages and salaries	75.4	68.2	7.2
Social security contributions	23.8	19.6	4.2
Termination benefits	4.8	4.4	0.4
Charges for stock options and restricted share units plans	0.2	3.4	(3.2)
Other costs and other incentive plans	13.6	3.2	10.4
Total personnel costs	117.8	98.8	19.0

"Personnel costs" amounted to €117.8 million, an increase of €19.0 million compared with 2010, essentially attributable to the rise in the average number of employees (an increase of 78 compared with 2010), higher costs associated with long-term incentive plans (€4.8 million), as well as the higher charges for the early retirement incentive program (€0.4 million). These negative effects were partially offset by lower costs associated with the 2008 stock option plan and the 2008 restricted share units plan (€3.2 million) as a result of the termination of the vesting period (March 31, 2011). Finally, in 2010 the item "other costs and other incentive plans" included positive prior-year component (€4.4 million) in respect of the reimbursement by Italy's National Social Security Institute (INPS) of contributions paid by Enel for the January 1, 1993-December 31, 1996 period on compensation that the Court of Appeals of Florence later found to be exempt from the payment of social security contributions.

"Social security contributions" amounted to €23.8 million in 2011 and consist of contributions to INPS and other minor institutions (totaling €21.7 million) and to defined contribution/benefit plans in the amount of €2.1 million (of which a total of €1.8 million to FOPEN and Fondenel and a total of €0.3 million to Asem and FISDE).

Termination benefit costs in the amount of €4.8 million are essentially unchanged from the previous year. The charge for termination benefits accruing in the year went entirely to supplemental retirement schemes, with 95.8% of employees participating in the FOPEN, Fisme and Fondenel plans and 4.2% in the Treasury Fund set up with INPS and other pension funds.

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, 2011.

	Average number			Headcount
	2011	2010	Change	at Dec. 31, 2011
Senior managers	109	116	(7)	104
Middle managers	361	329	32	377
Office staff	380	327	53	392
Total	850	772	78	873

7.d Depreciation, amortization and impairment losses - €33.3 million

Millions of euro

	2011	2010	Change
Depreciation	1.8	1.8	-
Amortization	8.8	5.6	3.2
Impairment losses	22.7	14.9	7.8
Total depreciation, amortization and impairment losses	33.3	22.3	11.0

Depreciation and amortization came to €10.6 million (€7.4 million in 2010), an increase of €3.2 million compared with the previous year. The rise is mainly associated with the higher average value of industrial patents and intellectual property rights following the investments and

entry of assets into service in the 2nd Half of 2010.

Impairment losses, totaling €22.7 million, regard the adjustment of the value of the investments in Enel.NewHydro (€11.3 million), Enelpower (€7.6 million) and Vallenergie (€0.9 million), the latter sold on November 30, 2011.

7.e Other operating expenses - €70.2 million

"Other operating expenses" totaled €70.2 million (€40.7 million in 2010), an increase of €29.5 million, essentially attributable to:

- > €24.0 million for the loss on the sale of the Company's 50% interest in Sviluppo Nucleare Italia Srl to Enel Ingegneria e Innovazione SpA on December 1, 2011;
- > €12.7 million in respect of the reimbursement of green certificates recognized in 2010 following the Energy Services Operator's recognition of the guarantees of origin issued in France for electricity generated from renewable resources and imported into Italy in 2005;

> €7.8 million for lower costs on derivatives hedging energy price risk.

The **operating loss** amounted to €95.9 million, compared with operating income of €636.8 million in 2010. The 2010 figure included net proceeds from the sale of equity investments (€731.4 million), essentially generated by the sale of a 30.8% stake held in Enel Green Power. Excluding that item from the comparative figures, the operating result for 2011 would show a decrease of €1.3 million on 2010.

8. Income from equity investments - €3,222.9 million

This item is made up entirely of dividends distributed by subsidiaries and other companies equal to €3,222.9 million (€3,368.8 million in 2010), as detailed below.

Dividends received

Millions of euro

	2011	2010	Change
Enel Produzione SpA	959.0	1,036.8	(77.8)
Enel Distribuzione SpA	1,766.2	1,996.8	(230.6)
Enel Trade SpA	30.2	286.7	(256.5)
Enel.Factor SpA	4.0	3.5	0.5
Enel Sole Srl	-	18.5	(18.5)
Enel Finance International NV	77.8	-	77.8
Enel Servizi Srl	5.1	4.2	0.9
Enel Energy Europe SL	264.9	-	264.9
Enel Ingegneria e Innovazione SpA	-	1.7	(1.7)
Enel Green Power SpA	94.1	-	94.1
Terna SpA ⁽¹⁾	21.5	20.5	1.0
Emittenti Titoli SpA	0.1	0.1	-
Total income from equity investments	3,222.9	3,368.8	(145.9)

(1) Includes the interim dividend for 2011 in the amount of €8.2 million, which was paid on November 24, 2011 (€8.2 million for the interim dividend for 2010 paid on November 25, 2010).

9. Financial income/(expense) - €(872.1) million

This item breaks down as follows.

Millions of euro

	2011	2010	Change
Financial income			
Interest and other income from non-current financial assets	24.4	22.1	2.3
Interest and other income from current financial assets	275.2	219.6	55.6
Foreign exchange gains	8.1	4.0	4.1
- on cash and cash equivalents	0.5	0.1	0.4
- on loans	0.6	0.6	-
- on other	7.0	3.3	3.7
Income from derivative instruments	2,507.3	1,830.0	677.3
- entered into on behalf of Group companies:			
<i>from derivatives designated as FVTPL</i>	2,251.0	1,605.9	645.1
- entered into on behalf of Enel SpA:			
<i>from derivatives designated as FVTPL</i>	126.8	89.5	37.3
<i>from derivatives designated as CFH</i>	129.5	134.6	(5.1)
Other interest and financial income	11.3	11.0	0.3
Total income	2,826.3	2,086.7	739.6
Financial expense			
Interest expense and other charges on non-current financial debt	963.6	982.7	(19.1)
- interest expense on non-current financial debt	301.9	337.9	(36.0)
- interest expense on bonds	661.7	644.8	16.9
Interest expense and other charges on current financial debt	43.4	25.8	17.6
- interest expense on debts to banks and other Group companies	43.4	25.8	17.6
Accretion of post-employment and other employee benefits	14.5	15.3	(0.8)
Foreign exchange losses	50.9	48.1	2.8
- on cash and cash equivalents	0.4	0.1	0.3
- on loans	40.4	40.8	(0.4)
- on other	10.1	7.2	2.9
Expense on derivative instruments	2,611.1	2,147.1	464.0
- entered into on behalf of Group companies:			
<i>from derivatives designated as FVTPL</i>	2,250.6	1,605.3	645.3
- entered into on behalf of Enel SpA:			
<i>from derivatives designated as FVTPL</i>	165.1	296.0	(130.9)
<i>from derivatives designated as CFH</i>	195.4	245.8	(50.4)
Other interest expense and charges	14.9	0.2	14.7
Total charges	3,698.4	3,219.2	479.2
TOTAL FINANCIAL INCOME/(EXPENSE)	(872.1)	(1,132.5)	260.4

Net financial expense, totaling €872.1 million, essentially regard interest expense on financial debt (€1,007.0 million), net charges on interest rate derivatives (€188.8 million), offset by interest and other income on intercompany

and bank current accounts (€259.9 million and €8.4 million respectively), on cash collateral (€6.9 million) and on loans assumed by Group companies (€11.7 million).

The €260.4 million decrease in net financial expenses reflects

the recognition of the effects, in the two periods compared, of the bonus shares exercised by December 31, 2011 in the global public offering to purchase Enel Green Power shares, which resulted in the recognition of net income of €42.1 million (income from adjustment of valuation from previous year in the amount of €89.3 million and realized expense from exercise of bonus shares in the amount of €47.2 million), compared with an unrealized charge of €89.3 million in 2010. The decline was also due to the decrease in net charges

on derivative instruments hedging interest rates (€81.7 million) and the increase in interest income and other income on current financial assets (€55.6 million) as a result of higher interest accrued on the intercompany current account.

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 - €212.0 million

Millions of euro

	2011	2010	Change
Current taxes	(213.8)	(241.1)	27.3
Deferred tax assets	1.9	(2.1)	4.0
Deferred tax liabilities	(0.1)	(0.2)	0.1
Total taxes	(212.0)	(243.4)	31.4

Income taxes for 2011 showed a tax credit of €212.0 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, which in 2010 received an exemption of the same percentage of the capital gain on the sale of 30.8% of Enel Green Power SpA. 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).

Total taxes also reflect the effect of deferred tax assets and liabilities in the income statement (a negative €1.8 million).

The effective tax rate on pre-tax income was a negative 9.4% in 2011, compared with a negative 8.5% in 2010.

Millions of euro

	2011	% impact	2010	% impact
Income before taxes	2,254.9		2,873.1	
Theoretical IRES tax liability (27.5%)	620.1	27.5%	790.1	27.5%
Tax decreases:				
- gains on exempt equity investments	(5.5)	-0.2%	(187.9)	-6.5%
- dividends on equity investments	(842.0)	-37.3%	(880.1)	-30.6%
- uses of provisions	(11.7)	-0.5%	(9.9)	-0.3%
- other	(24.5)	-1.1%	-	0.0%
Tax increases:				
- writedowns for the year	6.3	0.3%	4.1	0.1%
- losses on equity investments	6.6	0.3%	-	0.0%
- accretions to provisions	12.1	0.5%	12.3	0.4%
- prior-year expense	3.9	0.2%	1.8	0.1%
- other	23.2	1.0%	31.3	1.1%
Total current income taxes (IRES)	(211.5)	-9.4%	(238.3)	-8.3%
IRAP	-	-	-	-
Foreign taxes	0.2	0.0%	0.1	0.0%
Difference on tax estimate for previous years	(2.5)	-0.1%	(2.9)	-0.1%
Total deferred tax items	1.8	0.1%	(2.3)	-0.1%
TOTAL INCOME TAXES	(212.0)	-9.4%	(243.4)	-8.5%

Information on the Balance Sheet

Assets

Non-current assets

11. Property, plant and equipment - €5.9 million

Developments in property, plant and equipment for 2010 and 2011 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	17.9	22.6	52.0
Accumulated depreciation	-	(1.4)	(3.0)	(5.3)	(16.7)	(19.2)	(45.6)
Balance at Dec. 31, 2009	0.4	1.4	-	-	1.2	3.4	6.4
Capital expenditure	-	-	-	-	0.2	-	0.2
Depreciation	-	-	-	-	(0.5)	(1.3)	(1.8)
Disposals	-	(0.1)	-	-	-	-	(0.1)
Total changes	-	(0.1)	-	-	(0.3)	(1.3)	(1.7)
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)
Balance at Dec. 31, 2010	0.4	1.3	-	-	0.9	2.1	4.7
Capital expenditure	-	-	-	-	-	3.0	3.0
Depreciation	-	(0.1)	-	-	(0.3)	(1.4)	(1.8)
Other changes	3.0	-	-	-	-	-	3.0
Impairment losses	(3.0)	-	-	-	-	-	(3.0)
Total changes	-	(0.1)	-	-	(0.3)	1.6	1.2
Cost	0.4	2.7	3.0	5.3	18.1	25.6	55.1
Accumulated depreciation	-	(1.5)	(3.0)	(5.3)	(17.5)	(21.9)	(49.2)
Balance at Dec. 31, 2011	0.4	1.2	-	-	0.6	3.7	5.9

"Property, plant and equipment" totaled €5.9 million, an increase of €1.2 million on 2010, mainly attributable to capitalization for the period (€3.0 million), partially offset by depreciation (€1.8 million).

"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 - €17.0 million

"Intangible assets", all of which have a finite useful life, break down as follows.

Millions of euro	Industrial patents and intellectual property rights	Other intangible assets under development	Total
Balance at Dec. 31, 2009	7.1	7.3	14.4
Capital expenditure	6.7	-	6.7
Assets entering service	7.3	(7.3)	-
Amortization	(5.6)	-	(5.6)
Total changes	8.4	(7.3)	1.1
Balance at Dec. 31, 2010	15.5	-	15.5
Capital expenditure	8.5	1.8	10.3
Amortization	(8.8)	-	(8.8)
Total changes	(0.3)	1.8	1.5
Balance at Dec. 31, 2011	15.2	1.8	17.0

"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 decrease of €0.3 million is mainly attributable to amortization for the year (€8.8 million), partially offset by capital expenditure (€8.5 million) relating to the new

GPR2 reporting model and placing the risk management system into service.

"Other intangible assets under development", amounting to €1.8 million (zero in 2010), relate mainly to the launch of the risk management system (€1.1 million), the security dashboard (€0.4 million) and the financial planning system (€0.3 million).

13. Deferred tax assets and liabilities - €357.5 million and €190.7 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, 2010			at Dec. 31, 2011
Deferred tax assets				
<i>Nature of the temporary difference:</i>				
- accruals to provisions for risks and charges and impairment losses	36.0	(0.5)	-	35.5
- financial derivatives	211.7	-	42.2	253.9
- costs for capital increase	31.9	-	(10.6)	21.3
- other items	48.2	(1.4)	-	46.8
Total deferred tax assets	327.8	(1.9)	31.6	357.5
Deferred tax liabilities				
<i>Nature of the temporary difference:</i>				
- differences on non-current and financial assets	3.8	-	-	3.8
- income subject to deferred taxation	0.3	(0.1)	-	0.2
- measurement of financial instruments	121.3	-	65.1	186.4
- other items	0.3	-	-	0.3
Total deferred tax liabilities	125.7	(0.1)	65.1	190.7
Offsettable net deferred tax assets (IRES)	186.9			198.3
Offsettable net deferred tax assets/(deferred tax liabilities) (IRAP)	15.2			(31.5)

"Deferred tax assets" amounted to €357.5 million (€327.8 million at December 31, 2010), an increase of €29.7 million on the previous year, mainly attributable to deferred tax assets in respect of the fair value measurement of cash flow hedges (€42.2 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 €190.7 million (€125.7 million at December 31, 2010), an increase of €65.0 million, essentially attributable to deferred taxes in re-

spect of the fair value measurement of cash flow hedges (€65.1 million).

The amount of deferred tax liabilities was determined by applying the rates of 27.5% for IRES and 5.57% for IRAP (taking account of regional surtaxes). The amount of deferred tax assets was determined by applying the IRES rate of 27.5% only, as in the coming years we do not expect to earn income subject to IRAP sufficient to reverse the temporary deductible differences.

14. Equity investments - €38,758.9 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 and IFRS 2	Carrying amount	% holding
at Dec. 31, 2010					
A) Subsidiaries					
Enel Produzione SpA	4,891.8	-	3.6	4,895.4	100.0
Enel Ingegneria e Innovazione SpA	46.5	-	0.8	47.3	100.0
Enel Distribuzione SpA	6,311.7	-	1.8	6,313.5	100.0
Enel Servizio Elettrico SpA	10.0	-	0.5	10.5	100.0
Enel Trade SpA	901.0	-	0.8	901.8	100.0
Enel Green Power SpA	3,687.1	-	1.8	3,688.9	69.2
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)	0.7	1,313.4	100.0
Enel Energy Europe SL	15,300.1	-	-	15,300.1	100.0
Enel.Factor SpA	17.9	(0.4)	-	17.5	100.0
Enel Sole Srl	5.3	-	-	5.3	100.0
Enel Servizi Srl	524.5	(40.2)	2.5	486.8	100.0
Enel.NewHydro Srl	45.5	(42.9)	-	2.6	100.0
Enel Finance International NV	1,414.3	-	-	1,414.3	100.0
Vallenergie SpA	0.9	-	-	0.9	51.0
Total subsidiaries	43,184.2	(4,716.5)	12.5	38,480.2	
B) Joint ventures					
Sviluppo Nucleare Italia Srl	19.5	-	-	19.5	50.0
Total joint ventures	19.5	-	-	19.5	
C) Associated companies					
CESI SpA	2.2	-	-	2.2	25.9
Total associated companies	2.2	-	-	2.2	
D) Other companies					
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	278.6	-	324.8	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
Total other companies	51.5	277.5	-	329.0	
TOTAL EQUITY INVESTMENTS	43,257.4	(4,439.0)	12.5	38,830.9	

Capital contributions and loss coverage	Acquisitions/ (Disposals)/ (Liquidations)	Value adjustments	IFRIC 11 equity grants - stock options and RSUs	Net change	Original cost	(Writedowns)/ Revaluations	Other changes - IFRIC 11 and IFRS 2	Carrying amount	% holding
Changes in 2011					at Dec. 31, 2011				
-	-	-	0.1	0.1	4,891.8	-	3.7	4,895.5	100.0
-	-	-	0.1	0.1	46.5	-	0.9	47.4	100.0
-	-	-	-	-	6,311.7	-	1.8	6,313.5	100.0
-	-	-	-	-	10.0	-	0.5	10.5	100.0
-	-	-	-	-	901.0	-	0.8	901.8	100.0
-	-	-	0.2	0.2	3,687.1	-	2.0	3,689.1	69.2
-	-	-	0.1	0.1	8,498.1	(4,473.0)	0.1	4,025.2	100.0
-	-	(7.6)	-	(7.6)	189.5	(159.3)	-	30.2	100.0
-	(19.0)	-	-	(19.0)	-	-	-	-	-
-	-	-	-	-	1,321.0	(8.3)	0.7	1,313.4	100.0
-	-	-	-	-	15,300.1	-	-	15,300.1	100.0
-	-	-	-	-	17.9	(0.4)	-	17.5	100.0
-	-	-	-	-	5.3	-	-	5.3	100.0
-	-	-	0.2	0.2	524.5	(40.2)	2.7	487.0	100.0
25.0	-	(11.3)	-	13.7	70.5	(54.2)	-	16.3	100.0
-	-	-	-	-	1,414.3	-	-	1,414.3	100.0
-	(0.9)	-	-	(0.9)	-	-	-	-	-
25.0	(19.9)	(18.9)	0.7	(13.1)	43,189.3	(4,735.4)	13.2	38,467.1	
14.2	(33.7)	-	-	(19.5)	-	-	-	-	-
14.2	(33.7)	-	-	(19.5)	-	-	-	-	-
-	19.7	-	-	19.7	21.9	-	-	21.9	41.9
-	19.7	-	-	19.7	21.9	-	-	21.9	
-	-	-	-	-	4.8	(1.1)	-	3.7	4.3
-	-	-	-	-	0.5	-	-	0.5	10.0
-	-	(59.1)	-	(59.1)	46.2	219.5	-	265.7	5.1
-	-	-	-	-	-	-	-	-	25.0
-	-	-	-	-	-	-	-	-	0.3
-	-	(59.1)	-	(59.1)	51.5	218.4	-	269.9	
39.2	(33.9)	(78.0)	0.7	(72.0)	43,262.7	(4,517.0)	13.2	38,758.9	

The table below reports changes in equity investments in 2011:

Millions of euro

Increases	
Recapitalization of Enel.NewHydro Srl	25.0
Recapitalization of Sviluppo Nucleare Italia Srl	14.2
Acquisition of shares of CESI SpA	19.7
Measurement of stock incentive plans (stock option and restricted share units plans) organized by Enel SpA for employees of subsidiaries	0.7
Total increases	59.6
Decreases	
Sale of stake in Deval SpA	(19.0)
Sale of stake in Vallenergie SpA	(0.9)
Sale of stake in Sviluppo Nucleare Italia Srl	(33.7)
Writedown of Enel.NewHydro Srl	(11.3)
Writedown of Enelpower SpA	(7.6)
Fair value measurement of Terna - Rete Elettrica Nazionale SpA	(59.1)
Total decreases	(131.6)
NET CHANGE	(72.0)

The net decrease of €72.0 million in the value of equity investments in subsidiaries, joint ventures, associates and other companies is mainly due to the following:

- > the recapitalization of Sviluppo Nucleare Italia Srl on February 11, May 23 and November 24 for the total amount of €14.2 million, with the funds being allocated to increase the available equity reserve;
- > the acquisition of four stakes on March 11 (3.9%), March 25 (9.6%), May 25 (1.5%) and November 22 (1.0%) in the share capital of CESI SpA for a total amount of €19.7 million. As a result of these acquisitions, Enel's holding in CESI SpA rose from 25.9% to 41.9%;
- > the sale of the stakes held in Deval SpA and Vallenergie SpA on November 30 for a total carrying amount of €19.9 million;
- > the sale of the stake held in Sviluppo Nucleare Italia Srl to Enel Ingegneria e Innovazione SpA on December 1 for a carrying amount of €33.7 million;
- > the recapitalization of Enel.NewHydro Srl on December 23 in the amount of €25.0 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 decrease

in its stock price as at the close of the year (a decrease of €59.1 million);

- > the writedown of the holding in Enel.NewHydro Srl in the amount of €11.3 million to reflect impairment losses and the estimated recovery of the carrying amount;
- > the writedown of the holding in Enelpower SpA in the amount of €7.6 million to reflect impairment losses and the estimated recovery of the carrying amount;
- > the increase in the value of equity investments in subsidiaries in the amount of €0.7 million associated with stock incentive plans (stock option and restricted share unit plans) organized by Enel SpA for employees of the subsidiaries.

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 Siciliacque, in which Idrosicilia has a 75% stake.

The following table lists equity investments in subsidiaries, joint ventures, associates and other companies at December 31, 2011.

	Registered office	Currency	Share capital	Shareholders' equity (€ millions)	Prior year income/(loss) (€ millions)	% holding	Carrying amount (€ millions)
A) Subsidiaries							
Enel Produzione SpA	Rome	Euro	1,800,000,000	6,843.9	788.7	100.0	4,895.5
Enel Ingegneria e Innovazione SpA	Rome	Euro	30,000,000	52.4	1.5	100.0	47.4
Enel Distribuzione SpA	Rome	Euro	2,600,000,000	8,985.8	1,865.7	100.0	6,313.5
Enel Servizio Elettrico SpA	Rome	Euro	10,000,000	96.2	19.3	100.0	10.5
Enel Trade SpA	Rome	Euro	90,885,000	974.5	25.5	100.0	901.8
Enel Green Power SpA	Rome	Euro	1,000,000,000	6,396.3	247.2	69.2	3,689.1
Enel Investment Holding BV	Amsterdam	Euro	1,593,050,000	4,497.2	168.7	100.0	4,025.2
Enelpower SpA	Milan	Euro	2,000,000	30.2	0.6	100.0	30.2
Enel Energia SpA	Rome	Euro	302,039	1,114.7	1.8	100.0	1,313.4
Enel Energy Europe SL	Madrid	Euro	500,000,000	19,532.6	(69.2)	100.0	15,300.1
Enel.Factor SpA	Rome	Euro	12,500,000	45.7	4.7	100.0	17.5
Enel Sole Srl	Rome	Euro	4,600,000	36.2	5.1	100.0	5.3
Enel Servizi Srl	Rome	Euro	50,000,000	524.0	29.8	100.0	487.0
Enel.NewHydro Srl	Rome	Euro	1,000,000	16.3	(11.3)	100.0	16.3
Enel Finance International NV	Amsterdam	Euro	1,478,810,370	1,470.3	98.8	100.0	1,414.3
B) Associated companies							
CESI SpA	Milan	Euro	8,550,000	73.4	14.4	41.9	21.9
C) Other companies							
Elcogas SA	Puertollano	Euro	20,242,260	6.3	13.9	4.3	3.7
Emittenti Titoli SpA	Milan	Euro	4,264,000	6.3	1.0	10.0	0.5
Terna - Rete Elettrica Nazionale SpA	Rome	Euro	442,198,240	2,555.3	453.6	5.1	265.7
Consorzio Civita - in liquidation	Rome	Euro	156,000	0.01	(0.01)	25.0	-
Consorzio Bresciano per la ricerca applicata e l'innovazione tecnologica nel settore dell'automazione industriale Srl	Brescia	Euro	918,493	1.0	(0.01)	0.3	-

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, 2011	at Dec. 31, 2010
Equity investments in listed companies measured at fair value	265.7	324.8
Terna - Rete Elettrica Nazionale SpA	265.7	324.8
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 - €2,080.3 million

The aggregate is composed of the following:

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Financial receivables:	324.9	333.7	(8.8)
- due from subsidiaries	165.5	181.0	(15.5)
- due from others	156.1	149.4	6.7
- other	3.3	3.3	-
Derivative contracts	1,734.3	1,084.2	650.1
Prepaid expenses	21.1	30.3	(9.2)
Total	2,080.3	1,448.2	632.1

For information on "financial receivables", refer to the comments in note 20.3.

For information on "derivative contracts", refer to the comments in note 4.a.

"Prepaid expenses" regard residual transaction costs (€21.1 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).

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
	at Dec. 31, 2011			at Dec. 31, 2010		
Financial receivables:	97.4	227.5	324.9	67.3	266.4	333.7
- due from subsidiaries	94.1	71.4	165.5	64.0	117.0	181.0
- due from others	-	156.1	156.1	-	149.4	149.4
- other	3.3	-	3.3	3.3	-	3.3
Derivative contracts	232.1	1,502.2	1,734.3	159.3	924.9	1,084.2
Total	329.5	1,729.7	2,059.2	226.6	1,191.3	1,417.9

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

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Financial assets measured at fair value through profit or loss	1,287.4	841.6	445.8
Loans and receivables	346.0	364.0	(18.0)
Cash flow hedge derivatives	446.9	242.6	204.3
Total	2,080.3	1,448.2	632.1

16. Other non-current assets - €262.1 million

This item can be broken down as follows.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Receivable from subsidiaries for assumption of supplementary pension plan liabilities	209.7	222.1	(12.4)
Tax receivables	42.5	41.8	0.7
Other long-term receivables:			
- security deposits	0.1	0.1	-
- other receivables	9.8	0.1	9.7
Total	9.9	0.2	9.7
TOTAL	262.1	264.1	(2.0)

The item "Receivable from subsidiaries for assumption of supplementary pension plan liabilities" in the amount of €209.7 million refers to receivables in respect of the assumption by Group companies of their share of the supplementary pension plan. 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 €148.0 million (€160.4 million at December 31, 2010).

"Tax receivables" regard the tax credit, including accrued interest (a total of €42.5 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.

"Other receivables", amounting to €9.8 million, essentially regard the receivable due from Enel Ingegneria e Innovazione SpA (€9.6 million) for the sale of the interest held in Sviluppò Nucleare Italia Srl on December 1, 2011.

Current assets

17. Trade receivables - €573.5 million

The aggregate is composed of the following.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Customers:			
- sale and transport of electricity	72.3	67.6	4.7
- other receivables	9.4	10.0	(0.6)
Total	81.7	77.6	4.1
Trade receivables due from subsidiaries	491.8	464.4	27.4
TOTAL	573.5	542.0	31.5

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 (€4.1 million) is essentially due to the increase in receiva-

bles from the Single Buyer as a result of the increase in revenues on electricity sales to the latter.

"Trade receivables due from subsidiaries" primarily regard services provided by Enel SpA on behalf of Group companies. The increase (€27.4 million) was mainly caused by the greater management fees and service activities.

Trade receivables due from subsidiaries break down as follows.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Subsidiaries:			
- Enel Energy Europe SL	3.8	3.7	0.1
- Enel Produzione SpA	90.7	82.2	8.5
- Enel Distribuzione SpA	54.5	58.4	(3.9)
- Enel Ingegneria e Innovazione SpA	5.4	3.7	1.7
- Enel Green Power SpA	85.3	56.9	28.4
- Endesa SA	(0.6)	33.5	(34.1)
- Enel Servizio Elettrico SpA	19.6	10.0	9.6
- Enel Trade SpA	4.9	16.3	(11.4)
- Enel Energia SpA	45.9	44.4	1.5
- Enel Servizi Srl	32.8	21.2	11.6
- Slovenské elektrárne AS	33.1	22.0	11.1
- Enel.si Srl	12.3	9.5	2.8
- Enelpower SpA	1.7	1.5	0.2
- Enel Investment Holding BV	2.9	1.5	1.4
- Enel North America Inc.	0.9	0.7	0.2
- Enel Sole Srl	5.5	5.7	(0.2)
- Enel OGK5-5 OJSC	12.8	7.4	5.4
- Endesa Distribución Eléctrica SL	22.7	24.9	(2.2)
- Endesa Energía SA	9.4	7.9	1.5
- Endesa Generación SA	4.4	7.9	(3.5)
- Enel Romania Srl	7.6	5.8	1.8
- Sviluppo Nucleare Italia Srl	-	5.3	(5.3)
- Other	36.2	34.0	2.2
Total	491.8	464.4	27.4

Trade receivables by geographical area are shown below.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Italy	430.3	382.4	47.9
EU	118.8	143.7	(24.9)
Non-EU	19.4	11.2	8.2
Other	5.0	4.7	0.3
Total	573.5	542.0	31.5

18. Income tax receivables - €366.2 million

Income tax receivables at December 31, 2011 totaled €366.2 million and essentially regard the Company's IRES credit for current 2011 taxes.

19. Current financial assets - €9,667.9 million

This item can be broken down as follows.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Financial receivables due from Group companies:			
- short-term financial receivables (intercompany current account)	8,165.8	8,527.1	(361.3)
- short-term loan to Enel Finance International NV	120.0	-	120.0
- current portion of receivables for assumption of loans	15.5	17.0	(1.5)
- other financial receivables	272.8	234.4	38.4
- derivatives	73.5	120.4	(46.9)
Financial receivables due from others:			
- derivatives	310.5	33.5	277.0
- current portion of long-term loans	0.3	0.6	(0.3)
- other financial receivables	116.4	97.3	19.1
- cash collateral for margin agreements on OTC derivatives	593.1	662.6	(69.5)
Total	9,667.9	9,692.9	(25.0)

"Current financial assets" decreased by €25.0 million compared with previous year.

For further information, refer to note 20.4, except for "derivative contracts", which are described in note 4.b.

20. Net financial debt - €13,594.0 million

The following table provides a breakdown of net financial debt starting with the items shown in the balance sheet.

Millions of euro

	Notes	at Dec. 31, 2011	at Dec. 31, 2010	Change
Long-term loans	20.1	18,082.8	22,325.8	(4,243.0)
Short-term loans	20.2	2,471.8	1,842.1	629.7
Current portions of long-term loans	20.1	4,113.3	805.5	3,307.8
Non-current financial assets included in debt	20.3	324.9	333.7	(8.8)
Current financial assets included in debt	20.4	8,917.0	9,208.6	(291.6)
Cash and cash equivalents	20.5	1,832.0	2,117.0	(285.0)
Total		13,594.0	13,314.1	279.9

Net financial debt at December 31, 2011 is calculated in conformity with the CONSOB instructions of July 28, 2006, reconciled with the net financial debt reported in the Report on operations.

Millions of euro

	at Dec. 31, 2011		at Dec. 31, 2010	
		<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	1,831.9		2,116.9	
Liquidity	1,832.0		2,117.0	
Current financial receivables	8,917.0	8,301.3	9,208.6	8,545.5
Short-term bank debt	(636.4)		(40.0)	
Short-term portion of long-term debt	(4,113.3)		(805.5)	
Other short-term financial payables	(1,835.4)	(1,193.3)	(1,802.1)	(1,496.1)
Current financial payables	(6,585.1)		(2,647.6)	
Net short-term financial position	4,163.9		8,678.0	
Long-term bank debt	(1,307.0)		(4,161.7)	
Bonds issued	(14,275.8)		(15,366.9)	
Other long-term debt	(2,500.0)	(2,500.0)	(2,797.2)	(2,797.2)
Non-current financial payables	(18,082.8)		(22,325.8)	
Long-term financial position	(18,082.8)		(22,325.8)	
NET FINANCIAL POSITION as per CONSOB communication	(13,918.9)		(13,647.8)	
Long-term financial receivables	324.9	165.5	333.7	181.0
NET FINANCIAL DEBT	(13,594.0)		(13,314.1)	

20.1 Long-term loans (including the portion falling due within 12 months) - €22,196.1 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 €4,113.3 million), amounted to €22,196.1 million at December 31, 2011.

The following tables show long-term debt and repayment schedules at December 31, 2011, grouped by loan and interest rate type.

Millions of euro	Maturing	Carrying amount	Nominal value	Carrying amount	Nominal value
		at Dec. 31, 2011		at Dec. 31, 2010	
Bonds:					
- listed, fixed rate	2012-2037	9,641.8	9,729.8	10,487.4	10,589.5
- listed, floating rate	2012-2031	3,926.4	3,950.0	3,769.8	3,800.0
- unlisted, floating rate	2012-2032	1,764.7	1,764.9	1,915.0	1,915.2
Total		15,332.9	15,444.7	16,172.2	16,304.7
Bank loans:					
- fixed rate	2012	0.1	0.1	0.3	0.3
- floating rate	2012-2016	4,363.1	4,386.0	4,161.6	4,217.1
Total		4,363.2	4,386.1	4,161.9	4,217.4
Loans from Group companies:					
- fixed rate	2025	2,500.0	2,500.0	2,797.2	2,800.0
Total		2,500.0	2,500.0	2,797.2	2,800.0
TOTAL		22,196.1	22,330.8	23,131.3	23,322.1

Millions of euro	Carrying amount	Current portion	Portion maturing	Maturing in				
	at Dec. 31, 2011	<12 months	>12 months	2013	2014	2015	2016	Beyond
Bonds:								
- listed, fixed rate	9,641.8	599.7	9,042.1	749.3	-	991.8	1,965.4	5,335.6
- listed, floating rate	3,926.4	399.9	3,526.5	-	998.3	1,294.4	983.8	250.0
- unlisted, floating rate	1,764.7	57.5	1,707.2	59.2	61.3	62.8	63.9	1,460.0
Total	15,332.9	1,057.1	14,275.8	808.5	1,059.6	2,349.0	3,013.1	7,045.6
Bank loans:								
- fixed rate	0.1	0.1	-	-	-	-	-	-
- floating rate	4,363.1	3,056.1	1,307.0	-	916.9	-	390.1	-
Total	4,363.2	3,056.2	1,307.0	-	916.9	-	390.1	-
Loans from Group companies:								
- fixed rate	2,500.0	-	2,500.0	-	-	-	-	2,500.0
Total	2,500.0	-	2,500.0	-	-	-	-	2,500.0
TOTAL	22,196.1	4,113.3	18,082.8	808.5	1,976.5	2,349.0	3,403.2	9,545.6

The balance for bonds is stated net of €519.6 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, 2010	at Dec. 31, 2011		at Dec. 31, 2011	
Euro	21,824.1	20,848.5	20,966.0	3.62%	3.65%
Pound sterling	1,307.2	1,347.6	1,364.8	5.99%	6.02%
Total non-euro currencies	1,307.2	1,347.6	1,364.8		
TOTAL	23,131.3	22,196.1	22,330.8		

The table below reports changes in the nominal value of long-term debt during 2011.

Millions of euro	Nominal value	Repayments	New borrowing on credit lines	Own bonds repurchased	Exchange rate differences	Nominal value
	at Dec. 31, 2010					at Dec. 31, 2011
Bonds	16,304.7	(805.7)	-	(94.6)	40.3	15,444.7
Bank loans	4,217.4	(1,831.3)	2,000.0	-	-	4,386.1
Loans from Group companies	2,800.0	(300.0)	-	-	-	2,500.0
Total	23,322.1	(2,937.0)	2,000.0	(94.6)	40.3	22,330.8

Compared with December 31, 2010, the nominal value of long-term debt at December 31, 2011 decreased by €991.3 million as the net result of €2,937.0 million in repayments, €94.6 million in repurchases of own bonds, €2,000.0 million in new borrowing on credit lines and €40.3 million in negative exchange rate differences.

The main transactions carried out in 2011 include:

- > utilization of long-term bank credit lines for a total of €2,000.0 million (of which €1,900.0 million falling due within the next 12 months);
- > repayments totaling €805.7 million on the maturing tranches of bonds;
- > early repayment in the amount of €300.0 million on the intercompany loan from Enel Investment Holding BV;
- > voluntary repayments totaling €1,831.1 million on the original €35 billion syndicated credit line, of which:
 - €887.5 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.

Following these repayments, at December 31, 2011, 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:

- > €1,933.5 million maturing in April 2012 (of which €1,156.4 million pertaining to Enel SpA);
- > €1,358.4 million maturing in April 2014 (of which €830.9 million pertaining to Enel SpA);
- > €617.5 million maturing in April 2016 (of which €398.7 million pertaining to Enel SpA).

The 5-year €10 billion revolving credit facility obtained in April 2010 by Enel SpA and Enel Finance International was entirely unused by Enel SpA at December 31, 2011.

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, 2011		at Dec. 31, 2010	
Bonds:				
- fixed rate	9,641.8	9,396.3	10,487.4	10,996.7
- floating rate	5,691.1	5,074.0	5,684.8	5,607.4
Bank loans:				
- fixed rate	0.1	0.1	0.3	0.3
- floating rate	4,363.1	4,310.7	4,161.6	4,271.8
Loans from Group companies:				
- fixed rate	2,500.0	2,283.0	2,797.2	2,998.1
Total	22,196.1	21,064.1	23,131.3	23,874.3

The following tables show a breakdown of long-term loans (beyond 12 months) portions, along with comparative figures (carrying amount), distinguishing current from non-current figures for December 31, 2010.

Long-term loans (excluding current portions)

Millions of euro	at Dec. 31, 2011	at Dec. 31, 2010	Change
Bonds:			
- fixed rate	9,042.1	9,737.8	(695.7)
- floating rate	5,233.7	5,629.1	(395.4)
Bank loans:			
- fixed rate	-	0.1	(0.1)
- floating rate	1,307.0	4,161.6	(2,854.6)
Loans from Group companies:			
- fixed rate	2,500.0	2,797.2	(297.2)
Total	18,082.8	22,325.8	(4,243.0)

Current portions of long-term loans

Millions of euro	at Dec. 31, 2011	at Dec. 31, 2010	Change
Bonds:			
- fixed rate	599.7	749.5	(149.8)
- floating rate	457.4	55.8	401.6
Bank loans:			
- fixed rate	0.1	0.2	(0.1)
- floating rate	3,056.1	-	3,056.1
Total	4,113.3	805.5	3,307.8

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 principal or interest, initiation of liquidation proceedings, etc.) constitutes a default; under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- > early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

The main covenants for the Credit Agreement 2007, the Credit Agreement 2009 and the €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), the Enel Group's 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.

20.2 Short-term loans - €2,471.8 million

Short-term loans break down as follows.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Due to third parties	1,278.5	346.0	932.5
Due to Group companies	1,193.3	1,496.1	(302.8)
Total	2,471.8	1,842.1	629.7

Amounts due to third parties (€1,278.5 million) show an increase of €932.5 million, mainly due to a rise in the use of credit lines (€596.4 million) and greater cash collateral received from counterparties for transactions in OTC derivatives on interest rates and exchange rates (€336.1 million).

Amounts due to Group companies (€1,193.3 million) decreased by €302.8 million, due to the improvement in the debtor position on the intercompany current account held with subsidiaries.

20.3 Non-current financial assets included in debt - €324.9 million

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Financial receivables:			
- due from subsidiaries	165.5	181.0	(15.5)
- due from others	156.1	149.4	6.7
- other	3.3	3.3	-
Total	324.9	333.7	(8.8)

The item "Financial receivables due from subsidiaries" refers to receivables in respect of the assumption by Group companies of their share of financial debt (€165.5 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 €15.5 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" (€156.1 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.

For a breakdown by maturity of non-current financial assets, included in debt, please refer to note 15.

20.4 Current financial assets included in debt - €8,917.0 million

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Financial receivables due from Group companies:			
- short-term financial receivables (intercompany current account)	8,165.8	8,527.1	(361.3)
- current portion of receivables for assumption of loans	15.5	17.0	(1.5)
- other financial receivables	120.0	-	120.0
Financial receivables due from others:			
- current portion of long-term loans	0.3	0.6	(0.3)
- other financial receivables	22.3	1.3	21.0
- cash collateral for margin agreements on OTC derivatives	593.1	662.6	(69.5)
Total	8,917.0	9,208.6	(291.6)

"Financial receivables due from Group companies" decreased by €242.8 million compared with December 31, 2010, due essentially to the following:

- > a reduction in short-term financial receivables due from Group companies on the intercompany current account (€361.3 million), essentially attributable to transactions with Enel Distribuzione (€744.5 million) and Enel Green Power (€409.6 million), partially offset by increased borrowing by Enel Trade (€780.6 million);

> the bridge facility granted to Enel Finance International NV and drawn in the amount of €120.0 million at December 31, 2011.

"Financial receivables due from others" decreased by €48.8 million compared with December 31, 2010, mainly attributable to the reduction in cash collateral paid to counterparties for OTC derivatives on interest rates and exchange rates.

20.5 Cash and cash equivalents - €1,832.0 million

Cash and cash equivalents are detailed in the following table.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Bank deposits	1,831.1	2,116.4	(285.3)
Post office deposits	0.8	0.5	0.3
Cash and cash equivalents on hand	0.1	0.1	-
Total	1,832.0	2,117.0	(285.0)

Bank deposits represent liquidity connected with operations.

Of total cash and cash equivalents, only €8.0 million are restricted by encumbrances related to pending litigation.

21 Other current assets - €244.2 million

At December 31, 2011, the item broke down as follows.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Tax receivables	35.7	38.1	(2.4)
Other receivables due from Group companies	181.0	205.2	(24.2)
Receivables due from others	27.5	13.2	14.3
Total	244.2	256.5	(12.3)

With respect to December 31, 2010, "other current assets" show a total decrease of €12.3 million.

"Tax receivables" totaled €35.7 million and are primarily related to prior-year IRAP receivables in the amount of €24.0 million for tax refunds requested and the VAT receivable for the Group in the amount of €2.3 million.

"Other receivables due from Group companies" relate mainly to IRES tax credits of the Group companies that

participate in the consolidated taxation mechanism (€39.8 million), as well as to the VAT receivable from the companies participating in the Group VAT mechanism (€139.2 million). The reduction of €24.2 million on December 31, 2010, is mainly attributable to the decrease in the IRES receivables due from companies participating in the consolidated taxation mechanism (€38.0 million), partially offset by the increase in the VAT receivable for the Group (€13.7 million).

Non-current assets held for sale

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

"Non-current assets held for sale", amounting to €1,000, refer to the 1% interest held in Idrosicilia.

Liabilities

Equity

23. Shareholders' equity - €24,190.0 million

Shareholders' equity amounted to €24,190.0 million, down €325.6 million on December 31, 2010. The decrease is essentially attributable to the distribution of the balance of the dividend for 2010 in the amount of €0.18 per share (for a total of €1,692.6 million) approved by the shareholders on April 29, 2011, and the interim dividend for 2011 approved by the Board of Directors of Enel SpA on September 28, 2011, in the amount of €0.10 per share (a total of €940.3 million), as well as the net impact of net income for the year (€2,307.3 million).

Share capital - €9,403.4 million

Considering that no options were exercised as part of stock option plans in 2011 under the plans approved by the Company, the share capital of Enel SpA is equal to €9,403,357,795, represented by 9,403,357,795 ordinary shares (fully subscribed and paid up) with a par value of €1.00 each at December 31, 2011 (same at December 31, 2010).

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., with 2.74% (held entirely by its subsidiaries) and Natixis SA (with 2.66%).

Other reserves - €9,382.3 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

The legal reserve, equal to 20.0% of share capital, did not change compared with the previous year.

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 - €68.2 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 are recognized in equity in order to take advantage of tax deferment benefits. It also includes €29.1 million in respect of the stock-option reserve and €20.1 million for other reserves.

Reserve from measurement of financial instruments - €74.1 million

The reserve includes the positive reserve of €216.4 million (net of negative tax effects in the amount of €3.0 million) from the measurement of available-for-sale (AFS) financial instruments and the negative reserve of €290.5 million (net of positive tax effects in the amount of €66.8 million) from the measurement of cash flow hedge derivatives.

The table below provides a breakdown of changes in 2010 and 2011.

Millions of euro		Gains/ (Losses) recognized in equity for the year (gross)	Releases to income (gross)	Tax effect	Gains/ (Losses) recognized in equity for the year (net)	Gains/ (Losses) recognized in equity for the year (gross)	Releases to income (gross)	Tax effect	Gains/ (Losses) recognized in equity for the year (net)
	at Jan. 1, 2010				at Dec. 31, 2010				at Dec. 31, 2011
Gains/(Losses) from fair value measurement of cash flow hedging, effective portion	(195.7)	(103.5)	113.1	(3.1)	(189.2)	(145.2)	67.4	(23.6)	(290.6)
Gains/(Losses) from fair value measurement of financial investments available for sale	256.6	18.5	-	(0.3)	274.8	(59.1)	-	0.8	216.5
Gains/(Losses) recognized directly in equity	60.9	(85.0)	113.1	(3.4)	85.6	(204.3)	67.4	(22.8)	(74.1)

Retained earnings - €3,877.8 million

In 2011, the item shows an increase of €483.6 million, attributable to retained net income for the previous year, as approved by the Shareholders' Meeting of April 29, 2011.

Net income - €1,526.6 million

Net income for 2011, net of the interim dividend for 2011 in the amount of €0.10 per share (for a total of €940.3 million) distributed as of November 24, 2011, came to €1,526.6 million, decreasing by €649.6 million compared with 2010 (€2,176.2 million) due essentially to the decrease in dividends distributed by Group companies and that in 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
Share capital	9,403.4		
Capital reserves:			
- share premium reserve	5,292.1	ABC	5,292.1
Income reserves:			
- 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	(74.1)		
- reserve for capital grants	19.0	ABC	19.0
- stock option reserve	29.1	ABC	26.9 ^{(1) (2)}
- other	20.1	ABC	20.1
Retained earnings/(Loss carried forward)	3,877.8	ABC	3,877.8
Total	22,663.5		11,451.3
portion available for distribution			11,448.4

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. Post-employment and other employee benefits - €350.2 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, supplemental retirement 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 (€306.1 million) as well as post-employment benefits under defined-benefit plans (€44.1 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, 2011 and December 31, 2010.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010
Benefits due on termination of employment and other long-term benefits		
Actuarial liability at the beginning of the year	312.9	328.1
Service cost	9.6	4.7
Interest cost	12.6	13.4
Benefits paid	(33.3)	(31.1)
Other changes	0.1	(0.6)
Unrecognized actuarial (gains)/losses in year	(8.8)	(1.6)
Actuarial liability at the end of the year	293.1	312.9
Liability recognized at the end of the year	306.1	317.2
Post-employment benefits under defined-benefit plans		
Actuarial liability at the beginning of the year	46.3	44.8
Service cost	0.4	0.4
Interest cost	1.9	1.9
Benefits paid	(3.3)	(3.5)
Curtailments	(0.7)	-
Other changes	(0.1)	1.7
Unrecognized actuarial (gains)/losses in year	(2.7)	1.0
Actuarial liability at the end of the year	41.8	46.3
Liability recognized at the end of the year	44.1	45.9
Reconciliation with carrying amount		
Actuarial liability at the end of the year	334.9	359.2
Cumulative unrecognized actuarial (gains)/losses	(15.2)	(3.8)
Liability recognized at the end of the year	350.2	363.1

The service cost of employee benefits in 2011 amounted to €10.0 million (€5.1 million in 2010) recognized under personnel expenses, essentially related to long-term incentive plans, while the accretion cost recognized under interest expense amounted to €14.5 million (€15.3 million in 2010).

During the year, the liability in respect of the “electricity discount” defined benefit plan was curtailed for current employees, who will no longer receive the discount fol-

lowing an agreement with the unions. It has been replaced by measures to support and strengthen supplemental retirement schemes. The reduction in the energy discount benefit amounting to €0.7 million is recognized in the income statement under “personnel costs” and represents the liability recognized by the Company in previous years, proportionate to the service rendered by the employees during that period, for existing electricity discount obligations with respect to former employees.

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

	2011	2010
Discount rate	4.70%	4.30%
Rate of wage increases	2.00%	2.00%
Rate of increase in healthcare costs	3.00%	3.00%

If, at December 31, 2011, 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 €1.9 million higher, with an overall negative impact on the income statement in terms of service cost and interest cost of €0.2 million. If, at December 31,

2011, 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 €5.7 million lower, with a positive impact on the income statement in terms of service cost and interest cost of €0.2 million.

25. Provisions for risks and charges - €37.0 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			Other changes	Total	
	Accruals	Reversals	Utilization			
	at Dec. 31, 2010				at Dec. 31, 2011	
						of which current portion
Provision for litigation, risks and other charges:						
- litigation	29.2	8.1	(1.6)	(2.9)	-	32.8 30.7
- other	1.6	-	(0.3)	-	2.9	4.2 -
Total	30.8	8.1	(1.9)	(2.9)	2.9	37.0 30.7
Provision for early-retirement incentives	2.3	1.7	-	(4.0)	-	- -
TOTAL	33.1	9.8	(1.9)	(6.9)	2.9	37.0 30.7

The major developments include:

- > the increase in the litigation provision (€3.6 million), which essentially reflects net accruals on the basis of the opinions of internal and external legal counsel to take account of the updating of the estimates for positions arising in previous years, partly offset by uses in respect of the settlement of a number of disputes;

- > the increase in estimated charges (€2.9 million) for the environmental clean-up of the site where the Santo Stefano hydroelectric plant is located (Adamello - Brenta National Park, Trentino Alto Adige);
- > the decrease in the provision for early retirement incentives (€2.3 million) in connection with the utilization made during the year.

26. Non-current financial liabilities - €2,575.0 million

These consist of the fair value measurement of derivatives described in further detail in note 4.c.

27. Other non-current liabilities - €41.1 million

"Other non-current liabilities" amounted to €41.1 million (€40.5 at December 31, 2010). 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

28. Trade payables - €328.6 million

"Trade payables" are mostly made up of payables for electricity purchases and payables for sundry services for activities conducted in 2011. They include payables due to

third parties of €218.5 million (€264.4 million at December 31, 2010) and payables due to Group companies of €110.1 million (€85.6 million at December 31, 2010).

Trade payables due to subsidiaries at December 31, 2011 break down as follows.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Subsidiaries:			
- Enel Produzione SpA	1.2	0.7	0.5
- Enel Distribuzione SpA	12.0	19.7	(7.7)
- Enel Ingegneria e Innovazione SpA	8.9	6.4	2.5
- Enel Servizio Elettrico SpA	2.2	1.5	0.7
- Enel Trade SpA	15.8	15.8	-
- Enel Green Power SpA	1.2	1.2	-
- Enel Servizi Srl	57.7	30.0	27.7
- Enel.Factor SpA	5.7	5.9	(0.2)
- Enelpower SpA	-	2.3	(2.3)
- Other	5.4	2.1	3.3
Total	110.1	85.6	24.5

Trade payables break down by geographical area as follows.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Suppliers:			
- Italy	255.1	270.8	(15.7)
- EU	15.1	25.1	(10.0)
- Non-EU	56.5	53.0	3.5
- Other	1.9	1.1	0.8
Total	328.6	350.0	(21.4)

29. Current financial liabilities - €1,031.3 million

“Current financial liabilities” mainly regard interest expense accrued on debt outstanding at end-year and the fair value measurement of derivatives described in note 4.d.

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Deferred financial liabilities	421.1	437.4	(16.3)
Derivative contracts	468.3	269.6	198.7
Other items	141.9	81.7	60.2
Total	1,031.3	788.7	242.6

“Deferred financial liabilities” consist of interest expense accrued on financial debt, while the “other items” include interest expense on current accounts held with Group companies and on existing loans with Enel Finance International.

30. Other current liabilities - €753.7 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, 2011	at Dec. 31, 2010	Change
Tax payables	382.5	213.2	169.3
Payables due to Group companies	284.2	331.9	(47.7)
Payables due to employees, recreational/assistance associations	23.8	21.0	2.8
Social security contributions payable	9.1	8.2	0.9
Payables due to customers for security deposits and reimbursements	1.2	1.2	-
Other	52.9	6.9	46.0
Total	753.7	582.4	171.3

The increase in “tax payables” of €169.3 million is essentially attributable to the rise in the liability for IRES for companies participating in the consolidated tax mechanism (€176.5 million), partially offset by the decrease in the Group VAT liability to be paid (€7.8 million).

The decrease in “payables due to Group companies” of €47.7 million is essentially ascribable to the decrease in the payable due to companies participating in the national consolidated tax mechanism (€72.9 million), partly offset by higher payables due to companies participating

in the Group VAT mechanism (€26.3 million).

The increase of €46.0 million in “other” liabilities (totaling €52.9 million) reflects the recognition of the payable of €47.2 million arising from the bonus shares exercised by December 31, 2011 in the global public offering to purchase Enel Green Power shares. Once these shares are transferred in early 2012 free of charge, the payable will be fully reduced with a balancing item representing the carrying amount of the interest held in Enel Green Power.

31. Related parties

Related parties have been identified on the basis of the provisions of international accounting standards and the applicable CONSOB measures.

Transactions entered into with companies wholly controlled, directly or indirectly, by the Ministry for the Economy and Finance are primarily related to the sale of electricity to the Single Buyer at market prices and energy transport fees paid to Terna. Transport fees are established by the Authority for Energy and Gas.

The transactions Enel SpA entered into with its subsidiaries mainly involved services, the provision and employment of financial resources, insurance coverage, human resource management and organization, legal and corporate services, and the planning and coordination of tax and administrative activities.

All the transactions are part of routine operations, are carried out in the interest of the Company and are settled on an arm's length basis, i.e. on the same market terms as agreements entered into between two independent parties.

Finally, the Enel Group's corporate governance rules (for more details see the appropriate section in this Report)

establish conditions for ensuring that transactions with related parties are performed in accordance with procedural and substantive propriety.

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/) 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 replaced, 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

2011

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
	at Dec. 31, 2011		2011		2011	
Subsidiaries:						
- Deval SpA ⁽¹⁾	-	-	-	-	-	0.5
- DEPSA	-	-	-	-	-	0.1
- EASA I	-	-	-	-	-	0.1
- Endesa Distribución Eléctrica SL	22.7	-	-	-	-	33.8
- Endesa Energía SA	9.4	-	-	-	-	1.5
- Endesa Energía XXI SL	2.2	-	-	-	-	1.6
- ENCASUR	0.2	-	-	-	-	-
- Endesa Generación Portugal SA	0.3	-	-	-	-	0.3
- Endesa Generación SA	4.4	-	-	-	-	8.7
- Endesa Ingeniería SLU	0.2	-	-	-	-	-
- Endesa Ireland Ltd	(0.1)	-	-	-	-	0.3
- Endesa Operaciones y Servicios Comerciales SL	0.8	-	-	-	-	0.3
- Endesa Red SA	0.1	-	-	-	-	0.2
- Endesa SA	(0.6)	2.8	-	3.2	-	2.3
- Endesa Servicios SL	0.4	-	-	-	-	0.2
- Endesa Trading SA	0.2	-	-	-	-	0.2
- Enel Distributie Banat SA	3.2	-	-	-	-	1.1
- Enel Distributie Dobrogea SA	2.5	-	-	-	-	1.0
- Enel Distributie Muntenia SA	2.4	-	-	-	-	1.1
- Enel Distribuzione SpA	246.2	42.3	-	12.1	-	99.5
- Enel Energia SpA	129.9	0.5	-	-	-	41.4
- Enel Energie Muntenia SA	0.2	-	-	-	-	-
- Enel Energie SA	0.4	-	-	0.1	-	0.2
- Enel Energy Europe SL	3.8	0.5	-	-	-	-
- Enel France Sas	1.6	-	-	-	-	1.7
- Enel Green Power France Sas	0.4	-	-	-	-	0.2
- Enel Green Power International BV	1.2	-	-	-	-	-
- Enel Green Power Portoscuso Srl	0.1	-	-	-	-	-
- Enel Green Power Romania Srl	0.2	-	-	-	-	-
- Enel Green Power SpA	90.0	18.0	-	-	-	27.1
- Enel Green Power Latin America BV	3.8	-	-	-	-	-
- Enel Green Power North America	0.9	0.6	-	1.0	-	0.2
- Enel Ingegneria e Innovazione SpA	26.4	9.9	-	33.2	-	7.0
- Enel Investment Holding BV	2.9	-	-	-	-	1.4
- Enel M@p Srl	0.1	0.2	-	-	-	0.1
- Enel Maritza East 3 AD ⁽²⁾	-	-	-	0.6	-	0.8
- Enel OGC-5 OJSC	12.8	0.7	-	0.7	-	5.4
- Enel Produzione SpA	159.6	143.9	-	0.8	-	60.7
- Enel Romania Srl	7.5	0.1	-	0.1	-	1.8
- Enel Rus LLC	-	-	-	0.1	-	-

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
	at Dec. 31, 2011		2011		2011	
Subsidiaries:						
- Enel Servizi Comune SA	3.2	0.2	-	0.3	-	0.4
- Enel Servizi Srl	54.6	60.1	0.2	57.5	-	9.6
- Enel Servizio Elettrico SpA	19.6	83.7	-	-	-	12.1
- Enel Sole Srl	5.5	1.6	-	0.1	-	6.0
- Enel Trade SpA	5.4	61.2	7.3	0.5	-	6.6
- Enel Unión Fenosa Renovables SA	1.9	-	-	-	-	-
- Enel.Factor SpA	0.1	6.0	-	-	-	0.3
- Enel.NewHydro Srl	0.1	0.3	-	-	-	0.1
- Enel.si Srl	19.2	0.2	-	-	-	2.5
- Enelco SA	-	-	-	-	-	(0.2)
- Enelpower SpA	2.4	1.7	-	-	-	0.2
- GENGESA	0.5	-	-	-	-	2.9
- GENUNELCO	9.4	-	-	-	-	5.3
- Marcinelle Energie SA	0.6	-	-	-	-	0.3
- Nuove Energie Srl	0.1	-	-	-	-	0.1
- RusEnergosbyt LLC	0.1	-	-	-	-	-
- Slovenské elektrárne AS	33.1	0.9	-	1.6	-	12.0
- Sviluppo Nucleare Italia Srl	-	-	-	-	-	3.0
- Vallenergie SpA ⁽¹⁾	-	-	-	-	-	0.1
Total	892.1	435.4	7.5	111.9	-	362.1
Other related parties:						
- Acquirente Unico	71.9	-	-	-	373.2	-
- Bain & Company Italy Inc.	-	-	-	0.3	-	-
- Booz & Company Italia	-	-	-	0.1	-	-
- Enelcuore onlus	-	-	-	-	0.3	-
- Fondenel	0.3	-	-	-	0.2	-
- GME	0.3	9.0	13.3	12.1	1.2	-
- GSE	0.9	0.7	-	-	-	-
- Politecnico di Milano	-	0.1	-	0.1	-	-
- Poste Italiane	0.1	-	-	-	-	-
- Terna	0.5	0.1	-	-	0.3	-
Total	74.0	9.9	13.3	12.6	375.2	-
TOTAL	966.1	445.3	20.8	124.5	375.2	362.1

(1) Until sold on November 30, 2011.

(2) Until sold on June 28, 2011.

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
	at Dec. 31, 2010		2010		2010	
Subsidiaries:						
- Enel Green Power Romania Srl ⁽¹⁾	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 ⁽²⁾	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 ⁽³⁾	-	-	-	-	-	0.1
- 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

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
	at Dec. 31, 2010		2010		2010	
Subsidiaries:						
- 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.

Financial relationships

2011

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
	at Dec. 31, 2011			2011		
Subsidiaries:						
- Concert Srl	1.5	-	0.3	-	-	-
- Deval SpA ⁽¹⁾	-	-	-	-	0.9	-
- Enel Distribuzione SpA	512.3	-	3,782.7	55.6	176.4	1,766.2
- Enel Energia SpA	404.3	-	765.2	-	17.7	-
- Enel Energy Europe SL	727.5	-	-	-	8.0	264.9
- Enel Finance International NV	373.3	3,445.2	25,548.8	1,202.2	586.0	77.8
- Enel France Sas	0.3	0.1	72.0	-	0.3	-
- Enel Green Power International BV	-	-	-	0.6	-	-
-Enel Green Power Latin America BV	-	-	-	0.1	0.1	-
-Enel Green Power North America	0.1	-	-	2.1	0.9	-
- Enel Green Power Portoscuso Srl	3.5	-	-	-	0.1	-
- Enel Green Power Romania SpA	-	-	0.1	0.2	0.8	-
- Enel Green Power SpA	469.4	-	1,125.0	10.4	32.2	94.1
- Enel Ingegneria e Innovazione SpA	0.5	7.3	69.7	0.9	0.6	-
- Enel Investment Holding BV	487.0	-	324.2	11.8	16.8	-
- Enel Longanesi Developments Srl	16.2	-	-	-	0.3	-
- Enel M@p Srl	1.7	-	10.0	-	0.1	-
- Enel North America Inc.	-	-	59.0	-	-	-
- Enel Produzione SpA	4,386.9	170.9	2,234.4	239.3	273.2	959.0
- Enel Servizi Srl	102.7	250.3	20.4	0.9	8.3	5.1
- Enel Servizio Elettrico SpA	4.5	873.9	1,600.3	10.1	4.6	-
- Enel Sole Srl	83.1	-	107.5	-	2.8	-
- Enel Trade Hungary Kft	-	0.1	2.8	-	-	-
- Enel Trade Romania Srl	0.1	0.5	12.9	0.5	0.2	-
- Enel Trade SpA	1,218.6	179.2	1,241.7	282.5	208.1	30.2
- Enel.Factor SpA	349.0	-	-	-	4.3	4.0
- Enel.NewHydro Srl	4.8	-	6.0	-	0.6	-
- Enel.Re Ltd	-	0.4	-	-	-	-
- Enel.si Srl	-	-	0.6	1.6	5.2	-
- Enelpower SpA	-	45.7	4.2	0.6	0.1	-
- Hydro Dolomiti Enel Srl	77.1	-	-	-	2.1	-
- Marcinelle Energie SA	-	0.1	-	-	-	-
- Nuove Energie Srl	27.1	-	85.4	-	0.7	-
- Pragma Energy SA	-	5.7	-	0.1	-	-
- SE Hydropower Srl	4.8	-	-	-	0.3	-
- Slovenské elektrárne AS	-	0.2	-	-	-	-
Total	9,256.3	4,979.6	37,073.2	1,819.5	1,351.7	3,201.3
Other related parties:						
- Emittenti Titoli SpA	-	-	-	-	-	0.1
- Terna	-	-	-	-	-	21.5
Total	-	-	-	-	-	21.6
TOTAL	9,256.3	4,979.6	37,073.2	1,819.5	1,351.7	3,222.9

(1) Until sold on November 30, 2011.

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	-	851.6	-	15.4	-
- Enel Energy Europe SL	716.1	-	-	-	19.7	-
- Enel Green Power France Sas ⁽¹⁾	-	-	0.2	-	-	-
- Enel Finance International NV ⁽²⁾	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	953.9	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	324.2	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	1,561.5	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	11.3	0.1	0.1	-
- Enel Trade Romania Srl	1.1	0.1	9.5	0.1	0.2	-
- Enel Trade SpA	455.4	44.2	935.2	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 ⁽³⁾	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	31,875.0	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	31,875.0	1,260.4	674.4	3,368.8

(1) Formerly Enel Erelis Sas.

(2) Formerly Enel Trading Rus NV.

(3) Formerly Portoscuso Energia Srl.

The impact of transactions with related parties on the balance sheet, income statement and cash flows is reported in the following tables.

Impact on balance sheet

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
at Dec. 31, 2011				at Dec. 31, 2010		
Assets						
Non-current financial assets	2,080.3	608.6	29.3%	1,448.2	630.4	43.5%
Other non-current assets	262.1	219.4	83.7%	264.1	222.1	84.1%
Trade receivables	573.5	565.7	98.6%	542.0	532.8	98.3%
Current financial assets	9,667.9	8,647.7	89.4%	9,692.9	8,900.2	91.8%
Other current assets	244.2	181.0	74.1%	256.5	205.3	80.0%
Liabilities						
Long-term loans	18,082.8	2,500.0	13.8%	22,325.8	2,797.2	12.5%
Non-current financial liabilities	2,575.0	844.3	32.8%	1,999.0	392.2	19.6%
Other non-current liabilities	41.1	41.1	100.0%	40.5	40.5	100.0%
Short-term loans	2,471.8	1,193.3	48.3%	1,842.1	1,496.1	81.2%
Trade payables	328.6	119.9	36.5%	350.0	96.7	27.6%
Current financial liabilities	1,031.3	442.0	42.9%	788.7	117.3	14.9%
Other current liabilities	753.7	284.3	37.7%	582.4	331.9	57.0%

Impact on income statement

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
	2011			2010		
Revenues	761.8	737.3	96.8%	676.3	673.7	99.6%
Net proceeds from sale of equity investments	-	-	-	731.4	(2.2)	-0.3%
Electricity purchases and consumables	360.8	20.8	5.8%	341.8	24.9	7.3%
Services and other operating expenses	463.6	124.5	26.9%	406.8	82.8	20.4%
Income from equity investments	3,222.9	3,222.9	100.0%	3,368.8	3,368.8	100.0%
Financial income	2,826.3	1,351.7	47.8%	2,086.7	674.4	32.3%
Financial expense	3,698.4	1,819.5	49.2%	3,219.2	1,260.4	39.2%

Impact on cash flows

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
	2011			2010		
Cash flows from operating activities	2,477.4	460.8	18.6%	3,083.7	1,249.7	40.5%
Cash flows from investing/disinvesting activities	(7.5)	(44.8)	597.3%	2,411.0	(20.8)	-0.9%
Cash flows from financing activities	(2,754.9)	(364.8)	13.2%	(4,372.9)	(2,377.8)	54.4%

32. 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 2011.

2008 stock option plan

The 2008 plans 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 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 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 (as in the 2007 plan). The strike price was modified by the Board of Directors on July 9, 2009 – which set it at €7.118 – in order to take account of the capital increase completed

by Enel that month and the impact that it had on the market price of Enel shares.

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 exercised at Dec. 31, 2010	Options lapsed at Dec. 31, 2010	Options lapsed in 2011	Options outstanding at Dec. 31, 2011
8,019,779 ⁽¹⁾	16 Group executives	€8.075 ⁽²⁾	Rights vested	None	None	None	9,623,735

(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 plan

The Board 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.

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, 2011 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 2009, 2010 and 2011 in the Enel stock option plans, detailing the main assumptions used in calculating their fair value.

Number of options	2008 plan
Option granted at Dec. 31, 2009	8,019,779 ⁽¹⁾
Options exercised at Dec. 31, 2009	-
Options lapsed at Dec. 31, 2009	-
Options outstanding at Dec. 31, 2009	8,019,779 ⁽¹⁾
Options lapsed in 2010	-
Options outstanding at Dec. 31, 2010	8,019,779 ⁽¹⁾
Options lapsed in 2011	-
Options outstanding at Dec. 31, 2011	9,623,735 ⁽²⁾
Fair value at grant date (euro)	0.17
Volatility	21%
Option expiry	December 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).

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 compen-

sation 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 succession) 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 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 recover 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 exercised the first 50% of the basic unit grant prior to the determination of 2008-2010 targets.

The following table reports developments in the 2008 RSU plan.

Number of RSU	2008 plan
RSU outstanding at December 31, 2009 (equal to 100% of the base number of unlapsed RSU)	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>
RSU lapsed in 2011	10,500
RSU exercised in 2011	1,159,460
RSU outstanding at December 31, 2011	357,746
<i>of which vested at December 31, 2011</i>	<i>357,746</i>
Fair value at the grant date (euro)	3.16
Fair value at December 31, 2011 (euro)	3.70
Expiry of the restricted share units	December 2014

33. Contractual commitments and guarantees

Millions of euro

	at Dec. 31, 2011	at Dec. 31, 2010	Change
Sureties and other guarantees granted to:			
- third parties	516.6	622.0	(105.4)
- subsidiaries	37,073.2	31,875.0	5,198.2
- associates and others	8.8	12.4	(3.6)
Total	37,598.6	32,509.4	5,089.2
Other commitments for electricity purchases from third parties	-	343.9	(343.9)
TOTAL	37,598.6	32,853.3	4,745.3

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 and they regard:

- > €500 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;
- > €5 million in guarantees to Terna for electricity ancillary services pursuant to Resolution 111/06.

Sureties issued on behalf of subsidiaries include:

- > €17,025 million issued on behalf of Enel Finance International securing bonds denominated in dollars, pounds, euros and yen as part of the €30 billion Global

Medium-Term Notes program;

- > €6,000 million issued on behalf of Enel Finance International securing an euro commercial paper program;
- > €2,660 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;
- > €1,000 million issued on behalf of Enel Finance International securing the Revolving Credit Facility;
- > €1,524 million issued on behalf of Enel Finance International securing the Credit Facility Agreement;
- > €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;
- > €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;

- > €1,149 million issued to the tax authorities in respect of participation in the Group VAT procedure on behalf of Enel New.Hydro, Enel Produzione, Enelpower, Enel Servizio Elettrico and Nuove Energie;
 - > €1,050 million in favor of Cassa Depositi e Prestiti issued on behalf of Enel Distribuzione, which received a loan of €1,000 million;
 - > €300 million guarantee issued to financial counterparties on behalf of Enel Finance International securing bonds as part of the €25 billion Global Medium-Term Notes program;
 - > €361 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;
 - > €209 million issued in favor of Snam Rete Gas on behalf of Enel Trade for gas transport capacity;
 - > €175 million issued as counter-guarantees in favor of the banks that guaranteed the Energy Markets Operator on behalf of Enel Trade;
 - > €50 million issued to E.ON on behalf of Enel Trade for trading on the electricity market;
 - > €32 million issued to Wingas GmbH & CO.KG on behalf of Enel Trade for the provision of gas;
 - > €35 million issued to BHP Billiton Marketing AG on behalf of Enel Trade for coal purchases in South Africa;
 - > €30 million issued to RWE Supply & Trading Netherlands BV on behalf of Enel Trade electricity purchases;
 - > €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;
 - > €2,638 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.
- In its capacity as the Parent Company, Enel SpA has also granted letters of patronage to a number of Group companies, essentially for assignments of receivables.

34. 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 (Cattoli-

ca) a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings.

In court, Cattolica involved a number of reinsurance companies in the proceedings, including Enel.Re. During testimony, Enel.Re found the claim of Enel SpA to be well-founded, while other reinsurers, including Zurigo, challenged the claim. The case will continue before the Court of Rome in the hearing for submission of final pleadings on January 24, 2013.

Many blackout rulings are still pending despite the position taken by the Court of Cassation, partly owing to the difficulties faced by the court clerks of a number of courts in publishing rulings that have already been made and partly to substantial work load of the individual offices, which has slowed judges' decisions.

As of November 2011, pending cases concerning the blackout had fallen to about 50,000 due to Court decisions as well as abandonment of suits by the plaintiffs or joinder of proceedings, while the flow of new claims has essentially

come to a halt in view of the rulings in Enel's favor by both the courts of appeal and the Court of Cassation

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 directors and top managers of Enelpower and other individuals for alleged offences to the detriment of Enelpower, including 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 managing directors of Enel Produzione and Enelpower 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 former managers for the offences of corruption and embezzlement as the period of limitation had expired. The trial continued against the former managers for the offence of criminal conspiracy, but it too was concluded on September 20, 2011 with a ruling that the period of limitation had run out. Enelpower, Enel Produzione and Enel SpA are taking civil action to recover damages for the harm caused by the conspiracy conducted by the former managers.

Following extinguishment of the grounds for seeking damages for pecuniary losses and as a result of the Court of Cassation's ruling 26806/09 of December 19, 2009 – which ruled that the State Audit Court lacked jurisdiction – Enel, Enelpower and Enel Produzione filed two civil suits 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. On May 25, 2011, a settlement agreement was signed with the former managing director

of Enel Produzione under which Enel is to receive damages, including in the interest of the Group companies involved, totaling €2 million and the waiver by the former managing director of the claim to receive payment of the value of the stock options that was pending before Labor Court in the amount of more than €4 million. As part of the agreement, the companies of the Enel Group have revoked – solely with respect to the Enel Produzione managing director – their status as injured parties in the criminal proceedings mentioned above and will abandon the revocatory and enforcement actions undertaken against said director.

Finally, as regards Enelpower's participation in the appeal of the ruling on money-laundering charges against the former managing director and senior manager of Enelpower, in a ruling published on November 8, 2011, the criminal law section of the Swiss Federal Supreme Court upheld the ruling of the Federal Criminal Court of Bellinzona, ruling that since the injured parties were already seeking the same damages in Italy, they could not seek damages in Switzerland as well. Enelpower is taking steps to appeal that ruling. Again in Switzerland, Enelpower obtained a precautionary seizure order for amounts deposited on the Swiss current accounts of the defendants.

BEG litigation

This litigation is being conducted on two fronts, one in Italy, the other in Albania. In Italy, with its ruling of October 20, 2010, the 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 of December 6, 2002. 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 arbitration board ruled that Enelpower was not in breach.

In Albania, with a ruling of March 7, 2011, the Albanian Court of Cassation denied the appeal lodged by Enelpower and Enel SpA 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 (a subsidiary of BEG) tortious damages of about €25 million for 2004 as well as an unspecified amount of tortious damages

for subsequent years. In a letter of April 26, 2011, Albania BEG Ambient, referring to the above ruling of the Albanian court, requested payment of more than €430 million.

Enelpower and Enel SpA replied to the request, on April 28 and 29 respectively, strongly challenging legitimacy of both the foundation of the claim and the amount and filed a request with the Albanian Court of Cassation for the Court of Tirana's ruling in first instance to be revoked for conflict with the ruling of the Italian Court of Cassation. In a ruling dated June 17, 2011, and announced on July 7, the Albanian Court of Cassation upheld the ruling of the court of first instance. Enel and Enelpower then filed suit against the Republic of Albania with the European Court of Human Rights for violation of the right to a fair trial and the rule of law, asking the Court to order Albania to provide restitutio in integrum and pay damages for financial and non-financial losses incurred by Enel and Enelpower,

including amounts that might have to be paid under the ruling of the Albanian Court of Cassation of March 7, 2011.

In addition, proceedings continued in Italy in the suit lodged by Enelpower and Enel SpA against BEG SpA with the Court of Rome asking the Court to ascertain the liability of BEG for having evaded compliance with the arbitration ruling issued in Italy in favor of Enelpower on December 6, 2002, having its subsidiary Albam take legal action in Albania against Enelpower and Enel. With this action, Enelpower and Enel are asking the Court to find BEG liable and order it 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 next hearing is scheduled for March 22, 2012.

35. Subsequent events

Disposal of investment in Terna

On February 2, 2012, Enel SpA completed the placement, launched the day before, of its entire stake in Terna, equal to 5.1% of the share capital (102,384,037 ordinary shares) for €281 million.

The transaction, which was carried out through an accelerated bookbuilding with Italian and international institutional investors, was priced at €2.74 per share. The transaction will be settled through the delivery of shares and payment of the price on February 7, 2012.

Enel engaged Banca IMI, JP Morgan, Mediobanca and UniCredit as joint bookrunners to carry out the transaction.

€3.0 billion bond issue for Italian retail investors

On February 2 2012, CONSOB approved publication of the prospectus relating to the offering and listing on the electronic bond market (Mercato Telematico delle Obbligazioni - MOT) of Enel SpA fixed- and floating-rate bonds reserved for retail investors in Italy for a maximum aggregate amount of €1.5 billion, an amount that may be

increased to a total up to €3.0 billion.

The issue was approved by the Board of Directors of Enel on November 9, 2011. The proceeds of the offer will help finance the general operations of the Group, including the possible refinancing of debt as part of the strategy to extend the average maturity of consolidated debt and optimizing the medium/long-term maturity profile.

Subsequently, on February 10, 2012, Enel announced that, in agreement with the lead managers of the offering, it had exercised the option to increase the overall nominal value of the offer of bonds reserved for retail investors up to the maximum total amount of €3 billion.

The offer period closed ahead of schedule on February 13, 2012, following the full placement of the maximum of 3 million in bonds with a nominal value of €1 thousand each, with the principal repaid in full at maturity.

The total amount issued came to €2.5 billion for the fixed-rate bonds, allotted to 126,172 investors, and €500 million for the floating-rate bonds, allotted to 30,037 investors.

The fixed-rate bonds (maturing February 20, 2018) will pay a nominal annual gross interest rate equal to 4.875% and were issued on February 20, 2012, at a price equal to 99.95% of their nominal value. The annual gross effective yield to maturity is equal to 4.885%, calculated as the sum of a spread of 310 basis points and the 6-year mid-swap rate.

Accrued interest will be paid to investors annually in arrears. The floating-rate bonds will pay interest to investors semi-annually in arrears. The nominal annual floating rate will be calculated as the sum of 6-month Euribor and a spread of 310 basis points. The floating-rate bonds were issued on February 20, 2012 (maturing February 20, 2018) at a price equal to 100% of their nominal value. Following the fixing of 6-month Euribor on February 16, 2012 at 1.339%, the nominal annual rate of the first coupon to be paid on August 20, 2012 was equal to 4.439%.

Banca IMI, BNP Paribas and UniCredit acted as offering coordinators and lead managers. The bonds were placed by a placement and guarantee syndicate coordinated and directed by Banca IMI, BNP Paribas and UniCredit and composed of MPS Capital Services, Banca Akros and Centrobanca, with the participation of banks, securities investment companies and other authorized intermediaries. Enel has requested and received ratings for the bonds (A- from Fitch, A3 from Moody's and A- from Standard & Poor's). They will be traded on the MOT, which will ensure that they are highly liquid, thereby facilitating trading on secondary markets.

Enel rating revised by Standard & Poor's

On March 8, 2012, the rating agency Standard & Poor's announced that it had lowered its long-term rating for Enel SpA to "BBB+" (from "A-"). The agency also announced that it had confirmed its short-term rating of "A-2" for Enel. Following the removal of the negative creditwatch, the outlook was rated as stable.

The change in the Enel rating mainly reflects the deterioration in the macroeconomic situation in Italian and Spanish markets and the higher volatility of margins in the power generation sector. The downgrade was accompanied by an analogous revision of the stand-alone rating of the Company and follows Standard & Poor's downgrade of its rating of the Italian sovereign debt.

Finally, the agency noted that the measures the Company is taking to counter the impact of the economic crisis will help improve the financial risk profile of the Enel Group despite the weakness of the economic outlook that Standard & Poor's has projected for the Italian and Spanish markets.

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

Fees paid in 2011 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)
Enel SpA		
Auditing	<i>of which:</i>	
	Reconta Ernst & Young SpA	0.4
	Entities of E&Y network	-
Certification services	<i>of which:</i>	
	Reconta Ernst & Young SpA	0.4
	Entities of E&Y network	-
Total		0.8
Subsidiaries of Enel SpA		
Auditing	<i>of which:</i>	
	Reconta Ernst & Young SpA	1.8
	Entities of E&Y network	5.4
Certification services	<i>of which:</i>	
	Reconta Ernst & Young SpA	0.2
	Entities of E&Y network	1.4
Total		8.8
TOTAL		9.6





Corporate governance

Report on corporate governance and ownership structure

Section I: Governance and ownership structure

Introduction

The corporate governance structure of Enel SpA (hereinafter, also “Enel” or the “Company”) and of the group of companies that it controls (hereinafter, for the sake of brevity, the “Enel Group” or the “Group”) complies with the principles contained in the edition of the Self-regulation Code of listed companies promoted by Borsa Italiana, published in March 2006 ⁽¹⁾ (hereinafter, for the sake of brevity, the “Self-regulation Code”), as well as with the amendments introduced in March 2010 to Article 7 of the same Code, regarding the remuneration of directors ⁽²⁾. Furthermore, the aforementioned corporate governance structure takes inspiration from CONSOB’s recommendations on this matter and, more generally, from international best practice.

In December 2011, a new edition of the Self-Regulation Code has been published; such edition has introduced some significant amendments and integrations to the 2006 edition. In accordance with the transitory rules set forth under such new edition, Enel shall comply with the new recommendations during 2012, and shall inform the public thereof through the report on corporate governance and ownership structure which shall be published in 2013.

The corporate governance system adopted by Enel and its Group is essentially aimed at creating value for the shareholders in the medium/long term, 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 ordinary shares entitled to full voting rights at both Ordinary and Extraordinary Shareholders’ Meetings. At the end of 2011 (and still as of the date of this report), Enel’s share capital amounted to €9,403,357,795, divided into the same number of ordinary shares with a par value of €1 each.

Since November 1999, the Company’s shares have been listed on the Electronic Stock Exchange organized and managed by Borsa Italiana.

(1) The code is available on Borsa Italiana’s website at http://www.borsaitaliana.it/borsaitaliana/ufficio-stampa/comunicati-stampa/2006/codiceautodisciplina.en_pdf.htm.

(2) The new Article 7, as amended in March 2010, is available on Borsa Italiana’s website at http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corpgovart7eng.en_pdf.htm.

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 the date of this report 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, and of the group controlled by BlackRock Inc. which owns 2.74% of the share capital as asset management – owns more than 2% of the Company's share capital, nor, to the Company's knowledge, do any shareholders' agreements indicated in the Unified Financial Act regarding Enel's shares exist. Please note that, as of the end of 2011, also Natixis SA, on the basis of Enel's stock register, owned a shareholding equal to 2.66% of the share capital, which during January 2012 fell below the 2% threshold.

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 clarified that the regulations contained in the Italian 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 provide that – except for the government, public bodies, and parties subject to their respective control – no shareholder may own, directly or indirectly, Enel shares that constitute more than 3% of the share capital.

The voting rights attaching to the shares owned in excess of the aforesaid limit of 3% may not be exercised, and the voting rights to which each of the parties concerned by the limit to share ownership would have been entitled will be proportionately reduced, unless there are prior joint instructions from the shareholders concerned. In case of noncompliance, resolutions of Shareholders' Meetings may be challenged in court if it is assessed that the ma-

jority 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 assign to the Italian government (represented for this purpose by the Ministry for the Economy and Finance) some special powers, which are exercisable regardless of the number of shares owned by the aforesaid Ministry.

Specifically, the Minister of the Economy and Finance, in agreement with the Minister of Productive Activities (currently the Minister of Economic Development), has the following special powers, to be used according to the criteria established by the Decree of the President of the Council of Ministers of June 10, 2004:

- a) 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;
- b) 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;
- c) 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 pow-

ers). 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;

- d) 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 Decree of the President of the Council of Ministers 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 Decree of the President of the Council of Ministers 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 Decree of the President of the Council of Ministers 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.

In order to ensure that Italian laws regarding Italian government's special powers in privatized companies fully comply with EU principles, a new regulation on this matter has been recently drawn up and is meant to replace the regulations described above. In fact, Decree Law 21/2012 (which, as of the date of this report, has not been converted into law yet) provides for new rules on special powers concerning the governance structures of companies which operate in the defense and national security areas as well as of companies which carry out strategic activities in the areas of energy, transportation and communications.

In particular, as far as Enel is concerned, Article 2 of such Decree provides above all that the networks and the plants, the assets and the interests which have a strategic importance in the areas of energy, transportation and

communications, shall be identified by means of one or more Decrees of the President of the Council of Ministers. Such decrees shall be updated at least every three years.

It is therefore provided that any resolutions, acts or transactions, adopted by a company which has one or more of the above mentioned assets and that may result in changes of the ownership, the control or the availability of the same assets or that may modify their destination, shall be notified by the company to the Presidency of the Council of Ministers (or to the Ministry of Economy and Finance if the latter holds a shareholding in the company) within 10 days and, in any case, before their execution. Resolutions concerning the transfer of subsidiaries which own the said assets shall be notified within the same term. Within 15 days from the notification, the President of the Council of Ministers, by means of a Decree consistent with the relevant resolution of the Council of Ministers: (i) may exercise its veto whenever the resolutions, the acts or the transactions may represent an extraordinary situation of a real threat of serious prejudice for public interests regarding the safety and the functioning of networks and plants as well as the continuity of supply; or (ii) may provide for specific conditions whenever it deems such conditions sufficient to protect the said public interests.

After 15 days from the notification date, the aforementioned resolutions, acts or transactions become effective, if no orders have been enacted by the President of the Council of Ministers within the same term.

Furthermore, it is provided that the purchase by a non-EU person, for any reason, of controlling shareholdings in companies which have assets identified as strategic shall be notified to the Presidency of the Council of Ministers (or to the Ministry of Economy and Finance if the latter holds a shareholding in the company) within 10 days. In the event that such purchase represents a real threat of serious prejudice for public interests regarding the safety and the functioning of networks and plants as well as the continuity of supply, it is provided that, within 15 days from the notification, the President of the Council of Ministers, by means of a Decree consistent with the relevant resolution of the Council of Ministers: (i) may impose a condition precedent to the purchase, whereby the purchaser shall assume certain undertakings aimed at protecting the said interests; or (ii) in extraordinary cases of risk for the protection of the same interests, which cannot be removed by the assumption of the foregoing undertakings, may oppose the purchase. After 15 days from the notification date, the purchase may be executed, if no or-

ders have been enacted by the President of the Council of Ministers within the same term.

Article 2 of Decree Law 21/2012 also provides that the special powers set forth under the same Article may be used only on the basis of objective and non-discriminatory criteria, with particular regard to: (i) the existence, also taking into consideration the official position of the European Union, of objective reasons which suggest the possible existence of links between the purchaser and third countries that do not recognize the principles of democracy or of the rule of law (*Stato di diritto*), that do not respect the rules of international law or who have taken risky behaviors towards the international community inferred from the nature of their alliances, or that have relationships with terrorist or criminal organizations or with persons anyhow connected to them; (ii) the capacity of the structure resulting from the act or the transaction – taking into account the financing modalities of the acquisition, and of the economic, financial, technical and organizational capacity of the purchaser – to guarantee the safety and continuity of the supplies and/or the maintenance, the safety and the functioning of networks and plants.

Should the Decree Law 21/2012 be converted into law without any amendments, starting from the date of entry into force of the first Decree of the President of the Council of Ministers that identifies the strategic assets, Italian privatization laws (currently in force) would be automatically cancelled and Enel bylaws provisions set forth under such laws would automatically become ineffective.

However, pursuant to the same Decree Law 21/2012, Enel bylaws provisions concerning limits to the ownership of shares and to voting rights (as well as law provisions on this matter), as described in the paragraph above, shall remain effective.

Employee shareholdings: mechanism for exercising voting rights

The Unified Financial Act sets forth specific rules regarding voting proxies in listed companies, which partially 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 rights through proxy by the employees who are shareholders, thus fostering their participation to the decision-making process of 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 assign 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 with representing the Company;
- > the reduction of the share capital in the event one or more shareholders withdraw;
- > the harmonization of the bylaws with provisions of law;
- > moving the registered office within Italy.

Furthermore, in implementing the provisions of the regulations regarding privatizations, the Company's bylaws assign to the Italian government (represented for this purpose by the Ministry for the Economy and Finance) the special power of veto on the adoption of several resolutions – which are specified in detail in the above 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 the date of this report, the bylaws contain three authorizations of the Board of Directors to increase the share capital for as much stock option plans addressed to the Company's and Group's executives, with the consequent exclusion of the shareholders' preemptive rights.

However, two of such authorizations concern stock option plans (relating to years 2006 and 2007) in relation to which the Board of Directors has verified the failure to achieve the objectives upon which the exercise of the option rights was conditioned; therefore the said options and the relevant share capital increase authorizations have expired.

The only authorization still effective is the one according to which, in June 2008, the extraordinary session of the Shareholders' Meeting has authorized the Board of Direc-

tors, for a period of five years, to increase the share capital one or more times, divisibly, by a maximum amount of €9,623,735 for the 2008 stock option plan, which had been approved by the ordinary session of the same Shareholders' Meeting, and in relation to which the Board of Directors has then verified the achievement of the objectives upon which the exercise of the option rights was conditioned. It is pointed out that unit exercise price of the stock options assigned under the 2008 stock option plan is equal to €7.118 and that the amount of the authorization indicated above could entail a potential maximum total dilution amounting to 0.10% of the share capital as recorded as of the date of the present report. For a detailed description of the characteristics of the 2008 stock option plan please see the comments indicated into the financial statements of the Company and the consolidated financial statements of Enel Group regarding the financial year 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 2011 as a consequence of the exercise of the stock options assigned through the plans preceding the aforesaid ones amounted to 1.31%.

As of the date of this report, 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 (subsequently 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 €35 billion. In April 2009, Enel and Enel Finance International negotiated with a pool of 12 banks an extension of the Credit Agreement amounting to an additional €8 billion and an extension (with respect to the deadlines provided for by the aforesaid Credit Agreement) of the period established for the repayment

of this additional sum, with the intention of financing the acquisition by the 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 €8 billion obtained through the extension of the Credit Agreement, €5.5 billion may be paid back in 2014 and the remaining €2.5 billion in 2016. Following the acquisition by the subsidiary Enel Energy Europe 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 €8 billion, was entirely used. As of December 2011, following the repayments made, the remaining amount of the Credit Agreement – including the aforesaid additional €8 billion – is equal to €3.9 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 (subsequently merged in Enel Finance International NV) entered into a revolving credit facility agreement with a pool of banks for a total amount of €10 billion and, at the same time, terminated a previous agreement having the same subject, entered into in 2005, for an amount of €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 €500 million and a term of about 18 months from the signing date. 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 of control 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 revolving credit 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.

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 €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 meas-

ures 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 €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 €600 million, which expires in December 2026.

Both such agreements are accompanied by a guarantee agreement 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 €800 million, which will expire in December 2028 and is also aimed at developing the process of making the power network of said subsidiary more efficient. During 2011 the parties have entered into two extensions of the framework loan agreement for a total amount of €540 million.

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 early termination of the relationship following their resignation or dismissal without a just cause.

For a detailed description of such compensations please make reference to paragraph 1.2.9 of the first section of the remuneration report approved by the Board of Directors on April 5, 2012, upon proposal of the Compensation Committee, which is available at the Company's registered office, on the Company's website and on Borsa Italiana's website. There are no agreements providing for specific compensation in the event the relationship of any member of the Board of Directors is terminated following a takeover bid.

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) supervising the Company's compliance with the law and bylaws, as well as the observance of correct management principles in the carrying out of the Company's activities, (ii) supervising the financial information process and the adequacy of the Company's organizational structure, internal auditing system, and administration and accounting system, (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 responsi-

bilities, (ii) the approval of the financial statements and the allocation of net income, (iii) the purchase and sale of own shares, (iv) stock-based compensation plans, (v) amendments of the Company's bylaws, and (vi) the issue of convertible bonds.

The external audit of the 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 governance structure. In consideration of its role, the Board of Directors meets regularly and works so as to ensure the effective performance of its duties.

In particular, and in accordance with the provisions of the law and specific resolutions of the Board itself (and, in particular, with the one lately adopted in May 2011), the Board of Directors:

- > establishes the corporate governance system for the Company and the Group;
- > constitutes the Board's internal committees, appoints their members and, by approving their internal regulations, defines their duties;
- > 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 powers 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 consulting the Board of Statutory Auditors, the compensation of the Chief Executive Officer and of the other directors who hold specific offices; and determines the compensation of the members of its internal committees;
- > establishes, on the basis of the analysis and proposals made by the dedicated committee, the policy for the compensation of the Company's directors and of the executives with strategic responsibilities of the Company and of the Group and decides with regard to the adoption of the incentive plans addressed to all the executives;
- > on the basis of the information received, evaluates the adequacy of the Company's and the Group's organizational, administrative, and accounting structure and resolves on the changes in the general 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 Com-

pany specifically provides for the Board of Directors to resolve on the approval of:

- the annual budget and the long-term plan of the Group (which reports the annual budgets and long-term plans drafted by the Group companies);
 - strategic agreements, also determining – upon proposal by the Chief Executive Officer and after consulting the Chairman – 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 €50 million, as well as granting loans and issuing guarantees in favor of third parties exceeding the value of €25 million – must be approved beforehand (if they concern the Company) or evaluated (if they regard the Group companies) by the Board of Directors.
- In addition, the acquisition and disposal of equity investments amounting to more than €25 million must be approved beforehand (if they are carried out directly by the Company) or evaluated (if they concern Group companies) by the Board of Directors. Finally, the latter approves agreements (with ministries, local governments, etc.) that entail expenditure commitments exceeding €25 million;
- > provides for the exercise of voting rights at Shareholders' Meetings of the main companies of the Group 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 verifies 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 "Governance and ownership Structure – Special powers of the Italian government"). To date, the Italian government has not exercised such power of appointment yet.

According to the current legislation, all the directors must possess the requisites of honorableness required for statutory auditors of listed companies, and 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 system 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 (i.e. those provided for the statutory auditors of listed companies), distinctly mentioning such candidates and listing one of them first on the slate.

Furthermore – pursuant to the amendments of the Unified Financial Act introduced in July 2011, aiming at ensuring the balance between genders in managing and supervisory boards of companies with listed shares, and to the relevant CONSOB's regulations, and in compliance with the bylaws amendments that, accordingly, shall be submitted to the approval of the Shareholders' Meeting called for the approval of the 2011 Company's financial statements – on the occasion of the next three renewals of the Board of Directors following to August 12, 2012, those slates which contain a number of candidates equal to or above three shall also include candidates belonging to different gen-

ders, as indicated in the notice of the meeting. With regard to the modalities of appointment of the Board of Directors, the said bylaws amendments shall introduce in the Company's bylaws a correction mechanism ("sliding clause") to be used in the event that, following the vote, the balance between genders, as provided for by the applicable laws, is not fulfilled.

The slates must list the candidates in progressive 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; as of the date of this report, the minimum percentage required is equal to at least 0.5% of the share capital). The slates must be filed at the Company's registered office, by those who present them, 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; such slates 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. as of the date of this report, 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 Directors if the Board consists of more than seven members);

- > the compliance with the applicable laws on balance between genders (accordingly to the aforesaid bylaws amendments that shall be submitted to the Company's Shareholders' Meeting called for the approval of the 2011 financial statements); and
- > the principle of a proportional representation of minorities in the Board of Directors.

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 progressive 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, and ensuring the compliance with the applicable laws on balance between genders (accordingly to the aforesaid bylaws amendments that shall be submitted to the Company's Shareholders' Meeting called for the approval of the 2011 financial statements);
- > if the majority of the directors appointed by a Shareholders' Meeting leaves the 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 has decided – most recently in May 2011 – to 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 specific plans for the succession of the executive directors, since as of the date hereof, in consideration of Enel's shareholding structure, (i) the person to be appointed as Chief Executive Officer, considering the specific professional and managerial experiences required by such office, is de facto easily identifiable among the candidates of the slate presented by the main shareholder, the Ministry of Economy and Finance, whilst (ii) the Chairman of the

Board of Directors is appointed directly by the Shareholders' Meeting, upon proposal and with the decisive vote of the main shareholder.

As resolved by the Ordinary Shareholders' Meeting of April 29, 2011, the Board of Directors in office is composed of nine members, whose term expires when the 2013 financial statements are approved. As a result of the appointments made by the aforesaid Shareholders' Meeting, as of the date of this Report the Board of Directors is composed of the members indicated here below, together with the specification of the slates on which they were nominated. The slates were presented by the Ministry for the Economy and Finance (which at the time owned 31.24% of the Company's share capital) and by a group of 20 institutional investors (which at the time owned a total of 0.98% of the Company's share capital).

- > Paolo Andrea Colombo, 51 years, Chairman (designated in the slate presented by the Ministry for the Economy and Finance);
- > Fulvio Conti, 64 years, Chief Executive Officer and General Manager (designated in the slate presented by the Ministry for the Economy and Finance);
- > Alessandro Banchi, 65 years, director (designated in the slate presented by institutional investors);
- > Lorenzo Codogno, 52 years, director (designated in the slate presented by the Ministry for the Economy and Finance);
- > Mauro Miccio, 56 years, director (designated in the slate presented by the Ministry for the Economy and Finance);
- > Fernando Napolitano, 47 years, director (designated in the slate presented by the Ministry for the Economy and Finance);
- > Pedro Solbes Mira, 69 years, director (designated in the slate presented by institutional investors);
- > Angelo Taraborelli, 63 years, director (designated in the slate presented by institutional investors);
- > Gianfranco Tosi, 64 years, director (designated in the slate presented by the Ministry for the Economy and Finance).

A brief description of the professional profiles of the members of the Board of Directors above mentioned is contained in the Attachment 1 to this report.

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 structure 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. The Board of Directors sets the additional remuneration for the members of the committees with consultative and proposing functions instituted within the Board of Directors, upon proposal of the Compensation Committee, after consulting the Board of Statutory Auditors. The total remuneration of the Chairman and of the Chief Executive Officer/General Manager is also established by the Board of Directors, upon proposal of the Compensation Committee and after consulting the Board of Statutory Auditors.

For a detailed description of the structure and of the amount of the remuneration here above related to the financial year 2011, please make reference to the second section of the remuneration report, approved by the Board of Directors on April 5, 2012, upon proposal of the remuneration committee, which is available at the Company's registered office, on the Company's website and on Borsa Italiana's website.

Limit to the number of offices held by directors

The directors accept their office and maintain it when they deem that they can devote 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 out 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, which has been amended and updated in August 2011) 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:

- a) companies with shares listed on regulated markets, including foreign ones;
- b) Italian and foreign companies with shares not listed on regulated markets and operating in the fields of insurance, banking, securities intermediation, mutual funds, or finance;
- c) other Italian and foreign companies with shares not listed on regulated markets that, even though they operate in fields other than those specified under letter b) above, have assets exceeding €1 billion and/or revenues exceeding €1.7 billion according to their latest approved financial statements.

In accordance with the recommendations of the Self-regulation Code, the policy formulated by the Board of Directors thus establishes differentiated limits to the number of offices (made measurable by a system of specific weights for each kind of office), depending on (i) the commitment connected with the role performed by each director, both 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 upon implementation of the aforesaid policy – and taking into account the inquiry carried out by the Board of Directors most recently in January 2012 – each of Enel's Directors 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 2011, the Board of Directors held 16 meetings, which lasted an average of about 3 hours each. The directors' participation was regular and the meetings were also at-

tended by the Board of Statutory Auditors and by a magistrate representing the Court of Accounts. For the financial year 2012, 13 Board's meetings have been scheduled, 4 of which have already been held.

The activities of the Board of Directors are coordinated by the Chairman, which has a proactive and supervisory role on the functioning of the Board. In particular, the Chairman calls the meetings of the Board, 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 Boards' resolutions are implemented, chairs Shareholders' Meetings, and – like the Chief Executive Officer – is empowered to represent the Company legally.

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), the Chairman is also entrusted – according to a Board resolution adopted in May 2011 – with the duties of (i) participating in the formulation of corporate strategies in agreement with the Chief Executive Officer, without prejudice to the powers granted to the latter by the Board of Directors in this regard, 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 end of 2011, the Board of Directors, with the assistance of a specialized consultancy firm, which does not have any other professional or business relationship with Enel or with the other companies of Enel Group, began (and completed in February 2012) an evaluation of the size, composition, and functioning of the Board itself and its committees (so-called Board review), in accord-

ance with the most advanced practices of corporate governance disseminated abroad that have been adopted by the Self-regulation Code. This Board review follows similar initiatives yearly undertaken by the Board of Directors starting from 2004.

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 the first months of its mandate, and, as usual, 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 information flows and the decision-making processes adopted; (iii) the composition and functioning of the committees instituted within the Board; (iv) the evaluation of the adequacy of the organizational structures that support the works of the Board of Directors and of its committees.

Among the strengths that emerged from the 2011 Board review there are, above all, the commitment of all directors to quickly reach the maximum cohesion within the Board, in order to favor the building of the same cooperative climate and team spirit which characterized the former Board of Directors, accordingly to the results of the previous Board review; the information flows on which the Board's decision-making process is based, that the directors consider to be complete, effective and usually timely; the minutes of the meetings recording the debates and the resolutions of the Boards, that are considered to be precise and accurate. The size of the Board of Directors, the expertise among its members, the number and the duration of the Board's meetings are considered to be appropriate. The activities carried out by the Chairman and the ways he coordinates the works of the Board of Directors are very positively assessed by the other directors, which have also expressed a positive assessment on the transparency of the information provided by the top management during the Board's meetings and on the contributes and analysis on the most significant issues which have been provided by the top managers during the Board's meetings and that have given the chance to enrich the Board's debate with other information. With regard to the committees set up within the Board, it has been expressed a large consensus on the adequacy of their composition, their role and the effectiveness of the activities carried out, as well as for the support given by the dedicated corporate functions. The overall picture here above induces to affirm that – as pointed out by the consultancy firm, that

is based also on a benchmark analysis specially provided – Enel's Board of Directors and its internal committees work in an efficient and transparent way, in full compliance with corporate governance best practices.

With reference to the auspice represented during the previous Board review regarding the presence, within the Board, of one or more non-executive members with competence in the field of the energy business and experience on the international scene, also in order to strengthen the Group's multinational profile, it has been noted that such auspice has been fulfilled on the occasion of the renewal of the Board of Directors in April 2011; it has also been noted the approval of the suggestion – made during the previous Board review – to dedicate more time during Board's meetings to understand the business and the areas at risk connected with the internationalization of the Group.

Continuing an initiative introduced after the first Board review (conducted in 2004), the annual meeting of the Strategic Committee was again organized also in 2011, in October, and was dedicated to the analysis and in-depth study by the members of the Board of Directors of the long-term strategies in the different business sectors of the Group. At the conclusion of the Board review, the directors highlighted the great usefulness of such meeting as part of their training.

Among the few areas of improvement pointed out by some directors, it has been suggested the opportunity, on the one side, to add to the most voluminous and complex documents submitted to the Board's attention some synthetic notes which summarize the most significant contents of the same documents, and, on the other side, to accelerate as much as possible the delivery of the documents to the directors, which, in any case, is already considered to be well-timed; furthermore, it has been underlined the need for the Board of Directors to achieve a right balance between the time and attention to dedicate to the exam of business strategies and the time and attention to dedicate to corporate governance issues, in consideration of the fact that the legal framework on these latter issues is becoming more and more complex.

Executive and 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 in May 2011 by the Board of Directors in office as of the date of the present Report, with the exception of the Chairman and the Chief Executive Officer/General Manager, the other 7 members of the same Board of Directors (Alessandro Banchi, Lorenzo Codogno, Mauro Miccio, Fernando Napolitano, Pedro Solbes Mira, Angelo Taraborrelli and Gianfranco Tosi) are 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 (May 2011) and, subsequently, during January 2012, the Board of Directors attested that directors Alessandro Banchi, Mauro Miccio, Pedro Solbes Mira, Angelo Taraborrelli, and Gianfranco Tosi are independent pursuant to the Self-regulation Code. Specifically, directors were considered independent if they neither have nor have recently had relations, not even in-

directly, with the Company or with parties connected with the Company that could currently condition the autonomy of their judgment.

As usual, 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. In this regard, it is pointed out that, during the aforesaid evaluations of May 2011 and January 2012 on the independence of the non-executive directors, the Board of Directors, in compliance with the above mentioned principle of the prevalence of substance over form, has qualified as independent, pursuant to the Self-regulation Code, also the director Gianfranco Tosi, having decided to more properly evaluate his independence on the basis of the independent judgment shown by Mr. Tosi towards the Company, its executive directors and its main shareholder, the Ministry of Economy and Finance, that presented his candidature, rather than on the basis of the fact that Mr. Tosi has been one of the directors of Enel for more than nine years during the last twelve years.

Furthermore, the Board of Directors has confirmed the validity of the specific quantitative parameters – adopted for the first time during the independence evaluation carried out in February 2010 – 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 on a case by case basis, the exceeding of such parameters (specified in the Table 1 attached to the present report, 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. In this

regard, please note that, during the aforesaid evaluations of May 2011 and January 2012 on the independence of the non-executive directors, the Board of Directors acknowledged that no business, financial or professional relationships, direct or indirect, exist nor have existed during the previous financial year, between the above mentioned independent directors and the Company or persons connected to the Company.

During the reviews carried out in May 2011 and January 2012, the Board of Directors ascertained that the foregoing five non-executive directors – i.e. Alessandro Banchi, Mauro Miccio, Pedro Solbes Mira, Angelo Taraborrelli 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 Table 1 attached to this report).

During the months of May 2011 and February 2012, 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 for such purpose a transparent assessment procedure that enabled the Board to learn about relations that were potentially significant for the purpose of the evaluation of independence.

Even though the judgment independence characterizes the activities of all directors, executive and non-executive, an adequate presence of directors (both with respect to their number and competences) who can be qualified as independent according to the definition above – having a significant role in the Board of Directors as well as in the committees – ensures a proper balance of the interests of all shareholders.

The independent directors have met, without the presence of the other directors, in December 2011. On that occasion, they shared their evaluations on the functioning of the Board of Directors and appointed the director Mauro Miccio as their coordinator for the next meetings.

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.

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 consultative and proposing functions and entrusting them with issues that are sensitive and sources of possible conflicts of interest.

Each of such committees 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 Chairman and also establishes the duties of the committee by a special resolution.

In December 2006, the Board of Directors approved special organizational regulations (amended and integrated in June 2011) 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. In this regard it should be noted that, in the event that the Compensation Committee decides to have recourse to external consultants in order to obtain information on the market practices concerning remuneration policies, it previously verifies that the consultant is not in any situation which may actually jeopardize his judgment independence.

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 Chairman of the Board of Statutory Auditors, or another designated auditor, attends the meetings of each committee. Upon invitation by the chairman of the relevant committee, meetings may also be attended by other members of the Board of Directors or representatives of the Company's functions or third parties whose presence may support the performance of the committee's duties. The meetings of the Compensation Committee are normally attended also by the head of the "Human Resources and Organization" function, and the meetings of the Internal Control Committee are also normally attended by the person in charge of the internal control; the meetings of the latter committee may be attended by the Chairman of the Board of Directors and by the executive director charged with the supervision of the functionality of the

Internal Control System, upon express invitation of the chairman of the internal control committee or when they are in the condition to provide the committee with proper in-depth examinations on specific items of the agenda.

In November 2010, the Board of Directors, during 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 Internal Committee; this committee is called to release specific opinions about transactions with related parties carried out by Enel, directly or through its subsidiaries, in the cases described and in compliance with the procedure above.

Subsequently, in May 2011, the Board of Directors established another Internal Committee with consultative and proposing functions regarding corporate governance matters, with the duty of supervising the procedures and the regulations adopted in this respect within the company and to formulate amendment proposals in order to adjust their contents to the national and international best practices, considering the changes of the related applicable laws.

The organizational regulations of the Committee for Transactions with related parties and of the Corporate Governance Committee regulate the functioning of such committees basically in accordance with the principles contained in the organizational regulations of the Compensation Committee and of the Internal Control Committee.

Compensation Committee

The compensation of the directors and of the executives with strategic responsibilities is established in an amount that is sufficient to attract, retain, and motivate people gifted with the professional qualities required for successfully managing the Company.

In this regard, the Compensation Committee must ensure that the compensation of the executive directors and of the executives with strategic responsibilities is defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in the medium/long term. In particular, a significant portion of the compensation of the executive directors and executives with strategic responsibilities is linked to achieving specific performance objectives, also including non-economic objectives, identified in advance and determined in line with the guidelines set forth in the remuneration policy.

The compensation of non-executive directors is commensurate with the commitment required to each of them, taking into account their participation to 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 linked 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.

No directors may attend those meetings of the committee that are called to resolve upon the proposals regarding their remuneration, to be submitted to the Board of Directors, except in case of proposals concerning all the members of the committees established within the Board of Directors.

Specifically, the Compensation Committee is entrusted with the following consultative and proposing tasks (as lastly amended and integrated by the Board of Directors in June 2011 upon implementation of the amendments of Article 7 of the Self-regulation Code):

- > to present proposals to the Board of Directors for the compensation of the directors and the executives with strategic responsibilities, evaluating periodically the adequacy, the overall consistency and the concrete application of the adopted policy and on the basis of the information provided by the Chief Executive Officer concerning the implementation of such policy with respect to the executives with strategic responsibilities;
- > to submit to the Board of Directors proposals for the remuneration of the executive directors and the other directors who hold particular offices, as well as for the identification of performance objectives related to the variable component of such remuneration, monitoring the implementation of the resolutions adopted by the Board and verifying, particularly, the actual achievement of performance objectives;
- > to examine in advance the annual report on remuneration to be made available to the public in view of the annual Shareholders' Meeting called for the approval of the financial statements.

As part of its duties, the Compensation Committee also plays a central role in elaborating and monitoring the performance of the incentive systems (including stock-based plans, if any), addressed to the management 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.

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, the Compensation Committee consisted of directors Augusto Fantozzi (acting as chairman), Giulio Ballio, and Fernando Napolitano in the period between January and April, whilst starting from May until the end of the year it consisted of directors Fernando Napolitano (acting as chairman), Alessandro Banchi and Pedro Solbes Mira. The Board of Directors verified that they all have an adequate experience and expertise in financial matters. Also during 2011, the Compensation Committee held 8 meetings, characterized by the regular attendance of its members (and of the Chairman of the Board of Statutory Auditors) and by an average duration of 1 hour and 30 minutes each; the committee resorted to external consultants, at Company's expenses. During 2011, the Compensation Committee started to elaborate the guidelines of the remuneration policy of the directors and of the executives with strategic responsibilities, then set forth in detail during the first months of 2012, in order to permit to the Board of Directors to resolve upon the approval of such policy on April 5, 2012. The Compensation Committee – in addition to elaborating the long-term incentive plan for the year 2011 and carrying out a review of the performance of the existing incentive plans – worked on defining the remuneration of the Chairman and the Chief Executive Officer/General Manager for the mandate 2011-2013; in this respect, the committee also worked on the implementation aspects of the variable component of the compensation of the Chairman and the Chief Executive Officer/General Manager, 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). Lastly, the committee submitted to the Board of Directors the proposals concerning the compensation of the members of all the internal committees and monitored the evolution of the national applicable laws concerning the compensation of directors and top managers of listed companies, in the light of the implementation process 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 within the Board competences, 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 consultative and proposing tasks (as lastly defined by the Board of Directors, in June 2011):

- > 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 the results indicated in the report of the external auditors and in the letter of suggestions, if any;
- > to perform the additional tasks assigned to the committee by the Board of Directors, with particular regard to the assessment of the adequacy of the commitment dedicated to the issues related to social responsibility of companies, and the completeness and transparency of the information provided in this regard through the sustainability report (the latter task having been assigned to the committee starting from February 2010);
- > to report to the Board of Directors at least once every six months on the work performed and on the adequacy of the internal control system.

During 2011, the Internal Control Committee consisted of directors Gianfranco Tosi (acting as chairman), Lorenzo Codogno (to whom the Board of Directors at that time had acknowledged the requisite of appropriate experience in accounting and finance), Renzo Costi, and Alessandro Luciano during the period between January and April, whilst starting from May until the end of the year it consisted of directors Gianfranco Tosi (still acting as chairman), Lorenzo

Codogno (with reference to whom the Board of Directors confirmed the adequate experience in accounting and finance matters), Mauro Miccio and Angelo Taborelli.

Also during 2011, 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) and an average duration of 2 hours each.

During 2011, the activity of the Internal Control Committee focused first of all on the evaluation of the work plan prepared by the head of internal auditing, on the results of the audits performed during the preceding year, as well as on the examination of an amendment made by the Company's "Audit" function, concerning the identification of the main risks within the Group (so called risk assessment); the committee thus formulated, within its competences, a positive assessment of the adequacy, efficiency and effective functioning of the internal control system during the previous exercise. During 2011, the committee also expressed a favourable opinion, within the limits of its authority, on the assignment of some specific additional tasks to entities belonging to the network of the Group's main external auditor (pursuant to the relevant procedure, adopted in 2009, concerning the assignment of engagements to the auditing firms which operate within the Group) and examined the effects of new legislative developments and the new international accounting standards on Enel Group's 2010 consolidated financial statements and 2011 half-year financial report. In 2011 the committee also supervised the preparation of the sustainability report and has been updated on the main activities carried out by the Group concerning corporate social responsibility, assessed the reports received during the previous financial year on the basis of the provisions of the Code of Ethics, examined the comments made by the Court of Accounts in the report on the management for the year 2009 and examined the considerations made by the competent Company's functions in this regard, monitoring moreover the observance of the compliance program adopted pursuant to Legislative Decree 231 of June 8, 2001 (and also seeing to the updating of the aforesaid program). Finally, the committee acknowledged 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.

Related Parties Committee

The Related Parties Committee is composed of at least 3 independent directors, appointed by the Board of Directors, which appoints a chairman between them and resolves moreover upon the duties assigned to the committee itself, in accordance with the provisions of the specific procedure for the discipline of the transactions with related parties, adopted by the same Board of Directors in November 2010 (in compliance with the requirements set forth under CONSOB's specific regulation approved on March 2010), which rules have become effective starting from January 2011.

According to the provisions contained in the said procedure and in the organizational regulation, the Related Parties Committee, basically, has the duty to formulate specific reasoned opinions on the interest of Enel – as well as of Enel's direct or indirect controlled companies that may be concerned, time by time – in the completion of transactions with related parties, expressing an assessment concerning the convenience and substantial fairness of the relevant conditions, subject to prior receiving of timely and adequate information. In connection to transactions of major importance (as defined in the aforementioned procedure), such committee may also require information and make comments to the Chief Executive Officer and those persons in charge of the negotiations or the inquiry regarding aspects connected to the information received. Lastly, the committee decides upon those cases, submitted to its attention by the advisory board established pursuant to the same procedure, in relation to which the identification of a related party is disputed. In the exercise of its duties the committee may avail itself, at the expense of Enel, of the assistance of one or more experts chosen by the committee among people of proven expertise and competence on the subject matters of the transactions in relation to which the committee is called to give its opinion, after having verified their independence and the absence of conflicts of interests.

During 2011, the committee was composed of directors Augusto Fantozzi (acting as chairman), Giulio Ballio and Renzo Costi during the period between January and April, whilst starting from May until the end of the year it was composed of directors Alessandro Banchi (acting as chairman), Pedro Solbes Mira, Angelo Taborelli and Gianfranco Tosi.

Moreover, during 2011 the committee held 2 meetings, characterized by the regular attendance of its members (as well as of the Chairman of the Board of Statutory Auditors) and an average duration of 1 hour and 15 minutes each.

During 2011 the Related Parties Committee expressed its favourable opinion on the proposal of the Compensation Committee regarding the remuneration of the Chairman and of the Chief Executive Officer/General Manager for the mandate 2011-2013, before such proposal was examined by the Board of Directors and submitted to the Board of Statutory Auditors for its approval. Furthermore the committee carried out an accurate examination of the contents of CONSOB's regulations and of the specific Company's procedure for the regulation of transactions with related parties, in order to verify terms and conditions of the application of such documents in light of the actual activity of the Company.

Corporate Governance Committee

The Corporate Governance Committee is composed of at least 3 directors, most of them non executive, of which at least one in possession of independence requirements; the members of the committee are appointed by the Board of Directors, which also appoints, among them, the chairman of the committee and establishes the duties of the same committee.

According to the provisions contained in its organizational regulation, the Corporate Governance Committee, which has preliminary, consultative and proposing functions, shall assist the Board of Directors with respect to the assessments and decisions related to the corporate governance of the Company and of the Group. Within these duties, the committee has the following specific tasks:

- > to monitor the evolution of laws, as well as national and international best practices, in relation to corporate governance, updating the Board of Directors in case of significant changes;
- > to verify that the corporate governance system adopted by the Company and the Group is compliant with applicable laws, recommendations set forth under the Self-regulation Code and national and international best practices;
- > to submit to the Board of Directors proposals for the adjustment of the aforementioned corporate governance system, if it is deemed necessary or appropriate;
- > to prepare the Board review process, submitting to the Board of Directors proposals regarding the engagement of a consultancy firm specialized in this sector, identifying the issues that shall be the subject-matter

of the assessment and determining the timing and conditions of the same process;

- > to previously examine the annual report on corporate governance to be included in the documentation of the annual financial statements;
- > to perform additional tasks assigned it by the Board of Directors.

During 2011 the Corporate Governance Committee was composed of directors Andrea Colombo (acting as chairman), Lorenzo Codogno, Mauro Miccio and Fernando Napolitano.

During 2011 the Corporate Governance Committee held 5 meetings since its establishment (occurred in May), characterized by the regular attendance of its members (as well as of the Chairman of the Board of Statutory Auditors) and an average duration of 1 hour and 15 minutes each; the committee resorted to external consultants, at Company's expenses.

During 2011 the Corporate Governance Committee, first of all, has carried out a precise examination of the implementation level and modalities within Enel of the recommendations set forth under the Self-regulation Code in order to ensure the continuing observance of high corporate governance standards by the Company and the Group. Moreover, the committee updated a few important policies and Company's procedures, in particular with regard to (i) the guidelines regarding the maximum number of offices that Enel's directors may hold in the boards of directors and the boards of statutory auditors of companies of a significant size, in order to ensure that those concerned dispose of sufficient time to effectively perform the role they have in the Board of Directors of Enel, as well as to (ii) the regulations for the internal management and handling of confidential information and for the publication of documents and information concerning the Company and the Group, with specific reference to privileged information. Lastly, the Corporate Governance Committee worked on the preparation of the board review process, identifying, by means of a specific selection procedure, a consultancy firm to be entrusted with the task of supporting the Board of Directors and its committees in the self-assessment procedure regarding the financial year 2011.

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, since 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 relevant 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 "Audit" function 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 honourableness 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 with specific regulation.

As in its provisions for the Board of Directors – and in compliance with the Unified Financial Act – the bylaws provide that the appointment of the entire Board of Statutory Auditors take place according to the slate vote system, 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 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 progressive order, may be presented by shareholders that, alone or together with other shareholders, own the minimum equity interest in the Company, as determined by CONSOB with regulation, for the presentation of slates of candidates to the office of director (specifically, pursuant to the stock exchange capitalization of the shares of Enel, at the date of this report the equity interest requested is equal to at least 0.5% of the share capital).

Moreover – in implementing the amendments to the Unified Financial Act introduced in July 2011 with the purpose to ensure the balance between genders in the management and control bodies of listed companies, as well as in compliance with the relevant CONSOB's regulations, and according to the amendments to the bylaws that will be consequently submitted to the Company's Shareholders' Meeting called to resolve upon the approval of the financial statements 2011 – at the first three renewals of the Board of Statutory Auditors subsequent to August 12, 2012, the slates that contain an overall number of candidates (both regular and alternate members) equal or higher than three shall include, both in the first two positions of the slate's section related to the regular auditors and in the first two positions of the slate's section related to alternate auditors, candidates of different genders.

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 by those who present them, 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; they are then published by the Company in its internet website and in the website of Borsa Italiana, as well as filed in the Company's registered office, at least 21 days before the day set for the Shareholders' Meeting, together with exhaustive information on the personal and professional characteristics of the candidates, in order to guarantee a clear procedure for the election of the controlling body.

When less than the entire Board of Statutory Auditors is being elected, 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:

- > the observance of the principle of the representation of minority shareholders on the Board of Statutory Auditors; as well as
- > the observance of the applicable laws concerning the balance of genders (on the basis of the above mentioned bylaws amendments which will be submitted to the Company's Shareholders' Meeting called for the approval of the financial statements 2011).

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 term of the current Board of Statutory Auditors will expire when the 2012 financial statements are approved. As a result of the appointments made at the aforesaid Shareholders' Meeting, at the date of this report, the Board of Statutory Auditors consists of the regular members indicated here below, together with the slates on which they were appointed. Such slates 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, 64 years, chairman (designated in the slate presented by institutional investors);
- > Carlo Conte, 64 years, regular auditor (designated in the slate presented by the Ministry of Economy and Finance);
- > Gennaro Mariconda, 69 years, regular auditor (designated in the slate presented by the Ministry of Economy and Finance).

A brief professional profile of the above mentioned regular auditors is described under Attachment 2 to this report. The Shareholders' Meeting determines the remuneration of the regular members of the Board of Statutory Auditors. Specifically, in April 2010 the Ordinary Shareholders' Meeting set the remuneration to which the chairman of the Board of Statutory Auditors is entitled at €85,000 gross a year and the remuneration to which each of the other regular statutory auditors is entitled at €75,000 gross a year, in addition to the reimbursement of the expenses necessary for the performance of their duties.

During 2011, the Board of Statutory Auditors held 22

meetings, lasting an average of about 2 hours each, which were regularly attended by the regular auditors and the magistrate representing the Court of Accounts.

During February 2012, 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 aforesaid requisites of independence (because he is a General Manager at the Ministry for the Economy and Finance, the reference shareholder of the Company), he does possess the characteristics of independence provided for by the Unified Financial Act (and the related implementation regulations) with regard to statutory auditors of listed companies.

At the date of this report, 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 6 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 there of:

- > Sergio Duca: 4 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 Reconta Ernst & Young SpA.

The assignment was awarded to such firm by the Ordinary Shareholders' Meeting of April 29, 2011, upon proposal of the Board of Statutory Auditors, with reference to the fiscal years from 2011 until 2019 and for a total consideration of €3.5 million.

Since 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 shall express a preliminary binding opinion on the assign-

ment of each additional task – 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 entities belonging to the auditor's 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. During 2011 this role was performed, at first, during the period from January to April, by the substitute delegated judge Igina Maio, and starting from May by the delegated judge Francesco Paolo Romanelli. In January 2009, the Board of Directors resolved to pay the magistrate appointed by the Court of Accounts an attendance allowance of €1,000 for each meeting of corporate bodies attended. This position has been confirmed by the Board of Directors in June 2011.

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, starting from 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 profes-

sional 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 separate financial statements 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, 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 separate financial statements, 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 compliance of the contents 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 separate financial statements and the consolidated financial statements contain a reliable analysis of the performance and results of the year, as well as of the situation of the Company and the Group, together with a description of 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 contents of the certification that the executive in question and the Chief Executive Officer must issue in accordance with the foregoing are set by CONSOB with a specific regulation.

Internal control system

With regard to internal control, since several years the Group has been adopting 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 three distinct areas of activity:

- > line auditing (or first level), 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;
- > the second level controls, which are assigned to (i) the management control function (which is part of Enel's "Administration, Finance and Control" function) with regard to the monitoring of the business-financial trend of the Company and of the Group, and (ii) the "Group Risk Management" function with regard to the elaboration of policies aimed at managing the main risks (concerning, for example, the interest and exchange rates and the commodities risk);
- > internal auditing, which is entrusted to the Company's "Audit" function 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 since December 2006, the Board of Directors acknowledged the identification of the main risks regarding the Group (so called risk assessment) and of specific 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" function – and agreed on the compatibility of the aforesaid risks with sound and correct corporate management. Subsequently, in February 2008 and lastly in February 2012, the Board of Directors examined and shared specific updates on the Group risk assessment, prepared by the Company's "Audit" function;

- > appoints one or more executive directors to supervise the functioning of the internal control system. During 2011 such office was first jointly held by the Chairman and the Chief Executive Officer in the period from January until June, as determined by the Board of Directors since December 2006. Starting from July 2011 the Board of Directors entrusted this role exclusively to the Chief Executive Officer, in light of the powers' structure adopted within the Company and in consideration of the instructions provided by the Self-regulation Code on this matter (which provides that such office is usually assigned to the Chief Executive Officer);
- > evaluates the appropriateness, efficiency, and actual functioning of the internal control system at least once a year. It should be noted that in March 2011 and, most recently, in February 2012, 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 acknowledged that there was a new head of the Company's "Audit" function (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 director assigned to supervise the functioning of the internal control system in turn:

- > oversees 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

submits them periodically to the Board of Directors for examination;

- > carries 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. He also supervises the adaptation of this system to the dynamics of operating conditions and to the legislative and regulatory framework;
- > makes 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;
- > 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 director assigned to supervise the functioning of the internal control system, to the Internal Control Committee, and to 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" function, 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, may affect the Company's and the Group's balance sheet, income statement, and cash-flow statement.

During 2011, the main activities carried out by the "Group Risk Management" function were:

- > the preparation and the first implementation of the risk governance of the Group, upon agreement with the operative Divisions and the personnel of the interested functions;
- > the drafting of the guidelines for the management of the financial risks, commodity and credit, comprising the

definition of the operative limit system;

- > the definition of the enterprise risk management model of the Group, the start-up and completion of the first assessment of the main risk sources with potential impact on the achievement of the strategic and business purposes, the analysis of the results and the presentation of the most significant outcomes to the top management;
- > the start-up of the activities of some local risk management structures;
- > the definition of report formats on the different risk categories and the activation of a periodic communication flow with the operative divisions and the top management;
- > the establishment and the start-up of special risk committees, established both on central level and in the different countries where the Group operates; the definition by such committees of the qualitative and quantitative risk limits assigned to the risk owners and of the procedure aimed at monitoring their observance;
- > the development of an integrated model (so called business plan @risk) aimed at the analysis (i) of the quantitative risks related to the achievement of the targets of the budget and of the industrial plan and (ii) of the economic and financial profitability of the huge investments, through appropriate sensitiveness, scenario and probabilistic analysis; that with the purpose of evaluating the effects of the amendments of exogenous variables (i.e. prices, rates, inflation, energy demand, gross domestic product, etc.) on the expected results in terms of cash flow of the Group and financial sustainability, and on the overall portfolio risk;
- > the individuation, the purchase, the parameterization and the implementation of the software solutions for the industrial risk management and enterprise risk management activities;
- > the development of specific methodologies for the analysis and the measuring of the 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 specific 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 execution of a specific model for assessing the system and adopted a special set of procedures – 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 adopted have been monitored to check both their design (i.e. that the control, if operative, is structured in order 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" function are entrusted with responsibilities regarding the periodic testing of the system.

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"). Furthermore, the internal controls concerning the correct book-keeping provided for in section 404 of the Sarbanes-Oxley Act are applied by some Latin-American companies of the Group having ADS (American Depositary Shares) listed on the New York Stock Exchange. 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 ac-

quired 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 "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 separate financial statements, consolidated financial statements, 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 materiality of the potential impact on the consolidated financial statements) and qualitative terms (taking into account the specific risks connected with the business or the process). For the definition of the system, first of all a Group-level risk assessment was carried out in order to identify and evaluate the actions or events whose materialization or absence could compromise the achievement of the control objectives (for example, claims in the financial statements and other control objectives connected with financial information). The risk assessment was also conducted with regard to the risks of fraud.

Risks are identified at both the entity level and the process level. In the former, the risks identified are considered in any case to have a significant impact on financial information, regardless of the probability of such impact. 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 in compliance with the five sections provided in the COSO Report: control environment, risk assessment, control activities, information & communication and communication, monitoring activities. Within the scope of the companies identified as signifi-

cant, the processes at greatest risk were defined and assessed and 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 points of control (administrative and accounting procedures).

The Company's "Audit" function 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" function 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, to the Internal Control Committee, and to 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, issues a special certification regarding the adequacy and actual application of the administrative and accounting procedures established for the preparation of the separate financial statements, the consolidated financial statements, or the

half-year report, according to the document concerned each time.

Non-EU foreign subsidiaries

During 2011, the Internal Control Committee checked that the Group was consistently complying with the regulations, established by CONSOB as part of its Market Regulation, 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, 2010 and in application of the parameter concerning material significance for consolidation purposes introduced in the CONSOB's Market Regulation with effect from July 1, 2008, 14 non-EU foreign subsidiaries were identified within the Enel Group to which the regulations were applicable for 2011. Reference is made, in particular, to the following companies, 11 of which were already subject to the governing law during the fiscal year of 2010, are: 1) Ampla Energia e Serviços SA (a Brazilian company); 2) Chilectra SA (a Chilean company); 3) Compañía Distribuidora y Comercializadora de Energía SA (a Colombian company); 4) Companhia Energetica do Ceará SA (a Brazilian company); 5) Edegel SA (a Peruvian company); 6) Emgesa SA ESP (a Colombian company); 7) Empresa de Distribución Eléctrica de Lima Norte SAA (a Peruvian company); 8) Empresa Distribuidora de Energía Sur SA (an Argentinian company); 9) Empresa Nacional de Electricidad - Endesa Chile SA (a Chilean company); 10) Endesa Brasil SA (a Brazilian company); 11) Endesa Capital Finance LLC (a US company); 12) Enel Green Power North America Inc. (an American company); 13) Enersis SA (a Chilean company); and 14) Enel OGK-5 OJSC (a Russian company);
- > the balance sheet and income statement for 2011 of all the above companies, as included in the reporting package used for the preparation of the Enel Group's consolidated financial statements for 2011, 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 2011 financial statements

- of Enel, together with 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 Issuers Regulation);
- > the bylaws and the composition and powers of the corporate bodies of the above companies were obtained by Enel and are available to 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

Starting from 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 – has adopted an internal regulation aimed at identifying 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, and since January 1, 2011 a new procedure for transactions with related parties, whose main contents are described here below and that has been approved by the Board of Directors in November 2010 and in compliance with the requirements provided by CONSOB with a specific regulation adopted in March 2010, implementing the provisions of the Civil Code, finds full application.

According to such procedure, the transactions with related parties can be divided in the following three categories:

- > transactions of major importance, which are those exceeding a specific quantitative threshold (equal to 5%) of three relevance indexes, that take into account the equivalent-value of the transaction, of the assets of the entity which is the target of the transaction and of the

liabilities of the entity acquired. Such transactions, if not subject to the approval of the Shareholders' Meeting pursuant to the bylaws or applicable laws, are necessarily subject to the Board of Directors' examination and approval;

- > transactions of minor importance, which are defined as those transactions other than the transactions of major importance and transactions for small amounts. Such transactions, if not subject to the approval of the Shareholders' Meeting pursuant to the bylaws or applicable laws, are approved by the competent person/body in accordance with the applicable Company's powers structure;
- > transactions for small amounts, that are those characterized by an equivalent-value lower than specific thresholds, distinguished depending on the category of related parties with whom the transactions are executed. The procedure does not apply to transactions for small amounts.

In order to allow the Related Parties Committee to express a previous reasoned opinion on Enel's interest in the completion of transactions with related parties, as well as the convenience and substantial fairness of the relevant conditions, the procedure determines specific information flow. In particular:

- > for transactions of minor importance, the Company's Chief Executive Officer or the proposing function, through the "Corporate Affairs" function provide the Related Parties Committee, in reasonable advance and, in any case, in general, at least 10 days before the date of the issue of the opinion released by the committee itself, with complete and adequate information about each transaction of minor importance, providing any appropriate updates thereof;
- > for transactions of major importance, the Company's Chief Executive Officer, through the "Corporate Affairs" function, provides the Related Parties Committee, promptly – and, in any case within the day following the date in which the Board of Directors of Enel has been informed for the first time – complete and adequate information regarding each transaction of major importance, providing any appropriate updates thereof. The Related Parties Committee, or one or more of its delegated members, may require information and make comments to the Chief Executive Officer of Enel and to those persons in charge of the negotiations or the inquiry regarding aspects which are the subject-matter of the information flows, as well as require any

other information deemed to be useful for the assessment of the transaction.

With regard to the nature of the opinion issued by the Related Parties Committee the procedure provides that:

- > for the transactions of minor importance, such opinion is not binding. Nevertheless, Enel shall make available to the public, within fifteen days after the close of each quarter, a document containing an indication of the counterpart, of the object and the consideration of the transactions of minor importance approved in the reference quarter in the presence of a negative opinion of the Related Parties Committee, as well as of the reasons why it was deemed suitable not to share that opinion;
- > for the transactions of major importance, if the Related Parties Committee issues a negative opinion, the Board of Directors of the Company, if set forth in the bylaws of the Company (introduced during the Extraordinary Shareholders' Meeting of April 29, 2011), may submit the transaction of major importance to the Ordinary Shareholders' Meeting for its authorization. The Shareholders' Meeting, without prejudice to the majorities required by law, bylaws and provisions applicable in case of conflict of interest, approves its resolution with the favourable vote of at least half of the voting unrelated shareholders (so called whitewash). In any case, the completion of major importance transactions is prevented only if the unrelated shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights.

In compliance with applicable laws and the procedure, if the relation exists with a director of the Company or with a party related by means of him, the interested director shall promptly notify the Board of Directors of the nature, the terms, the origin and the range of its interest, leaving the Board of Directors' meeting during the adoption of the resolution if this does not jeopardize the permanence of the constitutive quorum and if the Board of Directors does not decide differently.

If the relation exists with the Chief Executive Officer of the Company or with a related party by means of him, in addition to the above he will abstain from the execution of the transaction, and entrust the Board of Directors with executing the transaction.

If the relation exists with one of the regular statutory auditors of the Company or with a related party by means of them, the interested auditor promptly notifies the other auditors and the Chairman of the Board of Directors of the nature, the terms, the origin and the range of its interest.

The procedure provides that the minutes of the resolutions with which the Board of Directors of the Company approves the transactions with related parties, both of major importance and of minor importance – or, in the latter case, the decisions of the competent delegated body – shall bear adequate reasons about the convenience of Enel in the completion of the transactions and the convenience and substantial correctness of their underlying terms. Furthermore, the procedure sets that the Chief Executive Officer of Enel, in the periodical report concerning the activities carried out in execution of the powers granted to him, provides the Board of Directors and the Board of Statutory Auditors, at least quarterly, with specific information regarding the execution of transactions of both major importance and minor importance.

A specific procedure is prescribed for transactions with related parties carried out by Enel not directly but through subsidiaries. In such cases it is set forth that the Board of Directors of the Company, or the competent delegated body on the basis of the powers in force, make – with the prior non binding opinion of the Related Parties Committee – a previous assessment of the transactions with related parties carried out by companies directly and/or indirectly controlled by Enel which fall within one or more of the following categories:

- > atypical or unusual transactions, by which is meant ones that because of their significance/importance, nature of the counterparties, their object, the way in which the transfer price is determined, the timing of the events (i.e. proximity of the closing of the financial year) may give rise to doubts with regard to the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguard of the Company's assets, or the protection of minority shareholders of Enel;
- > transactions whose equivalent-value exceeds €25 million, with the exception of those transactions excluded from the scope of application of the procedure (details follow below).

As observed above with reference to the transactions of minor importance carried out directly by Enel, also for the transactions carried out through subsidiaries it is provided that, if the Board of Directors of the Company, or the competent delegated body on the basis of the applicable powers, has issued a favourable opinion concerning the carrying out of transactions of subsidiaries which are relevant for the purposes of the procedure, although the Related Parties Committee issued a negative opinion, Enel

shall make available to the public a specific document containing the reasons for disregarding such opinion.

Pursuant to CONSOB regulations, the following transactions with related parties are excluded from the scope of application of the procedure:

- a) Shareholders' Meetings resolutions in relation to the establishment of the compensation due to all the members of the Board of Directors and of the Board of Statutory Auditors;
- b) the transactions for small amounts, as identified in the procedure itself;
- c) the compensation plans based on financial instruments, approved by the Shareholders' Meeting pursuant to the provisions of the Unified Financial Act and its executive operations;
- d) resolutions other than those indicated under letter a), in relation to the remuneration of the Company's directors holding a special office, together with the remuneration of executives with strategic responsibilities of companies of the Group, provided that:
 - Enel has adopted a remuneration policy;
 - in the definition of the remuneration policy, a committee consisting solely of non-executive directors – the majority of whom shall be independent – has been involved;
 - a report illustrating the remuneration policy has been submitted for advisory vote of the Shareholders' Meeting of Enel;
 - the remuneration awarded is consistent with this policy;
- e) regular transactions completed at market-equivalent or standard terms;
- f) transactions with or between companies controlled, even jointly, by Enel, as well as transactions with companies affiliated with Enel, provided that in the controlled or affiliated companies that are counterparties to the transaction no significant interests (as identified in the procedure) of another Enel's related party exist.

Lastly, a simplified procedure for the approval of related parties transactions, that are not attributed to the Shareholders' Meeting, is also provided in case of urgency, it being understood that a subsequent non binding vote concerning such transactions by the first Ordinary Shareholders' Meeting of the Company is required.

Processing of corporate information

As early as February 2000, the Board of Directors approved special rules (supplemented in March 2006 and, lastly, amended and updated in September 2011) for the internal 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 dissemination of information regarding individual subsidiaries must in any case be agreed upon with the Enel'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 implementing regulations issued by CONSOB, in April 2006 the Company established (and began to regularly update) a Group register recording the persons, both legal and natural, who have access to privileged information through the exercise of his or her employment, profession or duties 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 CONSOB's supervision of compliance with the regulations provided to safeguard market integrity.

Following the adoption by Italian law of the EU regulations regarding market abuse and the coming into force of the implementing regulations issued by CONSOB, as from April 2006 significant 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's representatives, and persons closely connected with them.

During 2011, the regulations regarding internal dealing applied to the purchase, sale, subscription and exchange of the shares of Enel 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, 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, insofar as they have regular access to privileged information and are authorized to make managerial decisions that could influence Enel's evolution and prospects. The obligations of transparency apply to all the aforesaid transactions whose total value is at least €5,000 in a given year, even if carried out by persons closely connected with the important persons.

In enacting measures to implement the aforesaid regulations, the Board of Directors considered it advisable to provide that important persons (other than the shareholders who possess an interest amounting to or exceeding 10% of the Company's share capital) are obliged to abstain from carrying out transactions subject to the regulations regarding internal dealing during two blocking periods, lasting approximately one month each, around the time the Board of Directors approves the Company's proposed separate 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, through the adoption of a measure 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" function, and (ii) a unit within the "Corporate Affairs" function in charge of communicating with shareholders in general.

It was also decided to further enhance communication with investors through the creation of a special section of the Company's website (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' Meetings 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 recommendation contained in the Self-regulation Code to consider Shareholders' Meetings as important occasions for discussion between a company's shareholders and its Board of Directors (even considering a wide range of different communication channels between companies with listed shares and shareholders, institutional investors,

and the market) was carefully assessed 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 such meetings; in particular, reference is made to the provision of the Company's bylaws aimed at enhancing proxy solicitation among the employee shareholders of the Company and its subsidiaries and at facilitating their participation in the decision-making process of the Shareholders' Meeting (this provision is specifically described in the first part of the report, under "Governance and ownership structure" – "Employee shareholdings: mechanism for exercising voting rights").

The applicable law regarding the functioning of the Shareholders' Meetings of listed companies, provided in the Civil Code, in the Unified Financial Act and in the implementing regulations adopted by CONSOB, was significantly amended after the enactment of Legislative Decree 27 of January 27, 2010, which implemented in Italy Directive 2007/36/EC (concerning the enforcement of certain shareholders' rights in listed companies) and that modified, among others, the laws regarding the terms for the Shareholders' Meetings, the number of the meetings, the quorums, the exercise of the right to convene the meeting and to put items on the agenda by minority shareholders, the information before the meeting, the representation at the meeting, the identification of the shareholders and the introduction of the record date with the aim of identifying the title to participate and vote in the meeting.

Some of the most significant new regulations introduced by Legislative Decree 27/2010 are synthetically illustrated below, together with some articles of Enel's bylaws dedicated to Shareholders' Meetings.

It should be preliminarily noted that the Shareholders' Meeting is competent to resolve, in both ordinary and extraordinary session, upon, among other things (i) the appointment and removal of 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 allocation of the net income, (iii) the purchase and sale of own shares, (iv) the stock-based compensation plans; (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 session, are convened and resolve with the majorities prescribed by applicable laws and are normally held in the municipal-

ity 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 notice in favour 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 also notify electronically their proxies to the Company, by sending the proxies 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 the 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 and that must be filled out through a schedule prepared by CONSOB, 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 Shareholders' Meeting by electronic means, which are applicable only when expressly referred to by the bylaws. In consideration of the evolution and reliability of technical devices, Enel's bylaws empowers the Board of Directors to provide, with respect to single Shareholders' Meetings, the participation by electronic means, specifying the conditions for such participation in the notice of the meeting.

Shareholders' Meetings are governed, in addition to the law and bylaws, by a specific regulation approved at the Ordinary Shareholders' Meeting of May 25, 2001 (as subsequently amended and integrated in 2010). The contents of such regulation are in line with the 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, or if both are absent, 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 proceedings and ascertains 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 Shareholders' Meeting to which no reply was given by the Company, 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 each of 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 behaviour 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 behaviour 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 by 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

Since July 2002, the Company's Board of Directors has adopted 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 or to the benefit of the companies themselves.

The contents 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 compliance program in question 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, the information flow, the training of the employees 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.

In particular, the special parts elaborated so far concern crimes against the public administration, corporate crimes, crimes related to terrorism or subversion of democratic order, crimes against individual personality, market abuse crimes and administrative torts, manslaughter and serious or very serious injuries committed by breaching the applicable laws on protection of health and safety at work, crimes of receiving stolen goods, money laundering and using of laundered money, illegal goods or utilities the origin of which is unknown, computer crimes and illegal data handling and organized crimes.

Over the years the compliance program has been periodically updated and amended in order to take into account, mainly (i) the new cases introduced by the legislation as precondition crimes (*"reati presupposti"*) of the

liability regulated under Legislative Decree 231/2001, (ii) case law on this matter, (iii) the expertise matured and the evolution of Company's organizational structure, (iv) the need to rationalize some contents of the text of compliance program and to coordinate the different special parts.

The compliance program adopted by Enel is also implemented by the subsidiaries subject to Italian law, which are responsible for adapting its contents in light of the specific activities which they carry out.

Enel also approved specific guidelines aimed at rendering the principles of the compliance program applicable to the most significant international subsidiaries of the Group (identified also in consideration of the kind of activity carried out) in order to make such companies aware of the importance of ensuring correct and transparent business conditions, and to prevent the risk of administrative liability of Enel or of any of its Italian subsidiaries, pursuant to Legislative Decree 231/2001, due to the illegal conduct of the aforesaid international subsidiaries in their business activities.

Enel has appointed a collective body to supervise the functioning and observance of the said program and to update it (so-called "supervisory body"); in particular, such supervisory body can be composed of a number of members between three and five, appointed by the Board of Directors. Such members may be chosen 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 Head of the "Audit" function of the Company). During 2011, the supervisory body was composed of an external member with expertise on corporate organization matters (Matteo Guigliano Caroli), acting also as chairman of the body, and of the heads of the following Enel's functions: "Audit", "Legal Affairs" and "Corporate Affairs", since they have specific professional expertise regarding the application of the compliance program and are not directly involved in operating activities. The duration of the office of the members of the supervisory body is aligned to the office of the Board of Directors of the Company and therefore their term will expire at the date of approval of the financial report 2013.

During 2011, the supervisory body, while monitoring the functioning and the observance of the program:

- > held 14 meetings, during which it discussed: (i) the analysis, carried out also with the assistance of the Company's management, of the main business areas

of the Company which are significant for the program and the exam of the control procedures of such areas; (ii) the proposals for the updating of the program; (iii) the approval of the monitoring and supervisory activity plan for the year 2011 and the examination of the activities effectively carried out;

- > promoted the amendment of the program, particularly with reference to the general part and to the special part concerning the prevention of organized crimes;
- > verified the implementation of the guidelines in the main international controlled companies;
- > promoted training initiatives, differentiated according to the recipients and necessary to ensure a constant updating of the personnel on the contents of the compliance program;
- > constantly reported its activities to the Chairman of the Board of Directors and to the Chief Executive Officer and, on a regular basis, to the Internal Control Committee and to the Board of Statutory Auditors.

Zero tolerance towards corruption plan

In June 2006, the Board of Directors approved the adoption of the zero tolerance towards corruption plan ("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 to 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 significant step regarding corruption and aimed at adopting a series of recommendations for the implementation of the principles formulated by Transparency International.

Attached below are the professional profiles of the members of the Board of Directors and of the regular auditors in office at the date of the present report, together with three tables that summarize some of the most significant information contained in the second section of the report.

ATTACHMENT 1: Biography of the members of the Board of Directors

Paolo Andrea Colombo, 51 years, Chairman (designated in the slate presented by the Ministry for the Economy and Finance).

A graduate with full marks of the "Bocconi" University in Milan with a degree in business economy in 1984, where he was tenured professor from 1989 until 2010 of accounting and financial statements and where he actually is tenured senior contract professor. Starting from 1985 he carried out professional activities as certified chartered accountant and auditor.

Since 2006 he is founding member of Borghesi Colombo & Associati, an Italian independent consulting company which offers a broad range of services in corporate finance and business consultancy to Italian and international clients. He held the office of member of the Board of Directors of several and significant industrial and financial companies, which include ENI, Saipem, Telecom Italia Mobile, Pirelli Pneumatici, Publitalia '80 (Mediaset Group), RCS Quotidiani, RCS Libri, RCS Broadcast and Fila Holding (RCS Mediagroup), Sias, Interbanca and Aurora (Unipol Group). Furthermore, he held the office of chairman of the Board of Statutory Auditors of Saipem, Stream and Ansaldo STS, and of member of the Board of Statutory Auditors of Winterthur and Credit Suisse Italy, Banca Intesa, Lottomatica, Montedison, Techint Finanziaria, HDPNet and Internazionale FC. Currently he is director of Mediaset and Versace, and chairman of the Board of Statutory Auditors of GE Capital Interbanca and of Aviva Vita and member of the Board of Statutory Auditors of A. Moratti Sapa and of Humanitas Mirasole. Chairman of the Board of Directors of Enel since May 2011.

Fulvio Conti, 64 years, Chief Executive Officer and General Manager (designated in 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, in 1969 he joined the Mobil Group, where he held a number of executive positions in Italy and abroad and in 1989 and 1990 he was in charge of finance for Europe. Head of the accounting, finance and control department for Europe of the American company Campbell in 1991.

After having been head of the accounting, finance, and control department of Montecatini (from 1991 to 1993), he subsequently held the office of head of finance of Montedison-Compart (between 1993 and 1996), responsible for the financial restructuring of the 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 the Group (including Metropolis and Grandi Stazioni). Deputy chairman of Eurofima in 1997, he held the office of General Manager and chief financial officer of Telecom Italia from 1998 until 1999, holding also in this case important positions in other companies of the 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, chairman of Eurelectric and deputy chairman of Endesa, as well as director of the Accademia Nazionale di Santa Cecilia and of the Italian Technology Institute.

Alessandro Banchi, 65 years, director (designated in the slate presented by institutional investors).

Graduate in Chemical Engineering at the University of Bologna in 1969, he started his professional career in the pharmacology industry in 1971. In 1973 he joined the Italian branch office of the chemical-pharmaceutical multinational Boehringer Ingelheim, holding different management positions both in Italy and abroad, up to becoming Italy's country manager from 1992 until 1999. In the Boehringer Ingelheim group he held the office of managing director of Pharma Marketing and Sales (which operates worldwide) from 2000 until 2008, where he also held the office of chairman (CEO) of its executive committee starting from 2004. In 2009 he left the Boehringer Ingelheim group to carry out professional advice on pharmaceutical matters. Officer of the Republic of Italy, he held offices in Italian and foreign sector associations of chemical and pharmaceutical industry; in this regard, he was chairman of AESGP and ANIFA (respectively, European and Italian Association of pharmaceutical industries of counter products), member of the Board of Directors of Federchimica and of the board of Farindustria, as well as in the G10 at the European Commission in Brussels. He is member of Enel's Board of Directors since May 2011.

Lorenzo Codogno, 52 years, director (designated in the slate presented by the Ministry for the Economy and Finance).

After studying at the University of Padua, he completed his studies in the United States, where he earned a master's degree in Finance (1986-87) at Syracuse University (New York). He was 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 general director 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.

Mauro Miccio, 56 years, director (designated in the slate presented by the Ministry for the Economy and Finance).

Graduate with full marks in Law at “La Sapienza” University of Rome in 1978, he started his professional career in the publishing group Abete as managing director for the publishing sector (1981) and Chief Executive Officer of the press agency ASCA. He has been director of Ente Cinema (currently Cinecittà Luce) from 1993 until 1996, and chairman of Cinecittà Multiplex, director of Rai from 1994 until 1996 and Acea from 2000 until 2002. Furthermore he held the office of managing director of AS Roma from 1997 until 2000 and Chief Executive Officer of Rugby Roma from 1999 until 2000, of Agenzia per la Moda from 1998 until 2001 and Eur SpA from 2003 until 2009.

Former chairman of FERPI (Federazione Relazioni Pubbliche), ICI (Interassociazione della Comunicazione di Impresa), of the National Rugby League and of the organization committee of the “Baseball World Cup 2009”, he has been deputy chairman of the European Rugby League. He was several times member of the Superior Communication Council at the Ministry of Communication and consultant of AGCOM, with whom he collaborated for the definition of the frequency sharing plan for the digital terrestrial television. He held and holds significant offices inside the Confindustria system, he is managing director of Assoimmobiliare, is member of the executive Committee of the “S.O.S. – il Telefono Azzurro onlus” association and of the “Fondazione San Matteo” for the promotion of the social doctrine of the Catholic Church and the realization of humanitarian projects in the developing countries.

Professor of matters related to the communication sector at the University of Catania (from 1999 until 2002) and “Roma Tre”, where he currently teaches communication sociology, he collaborates furthermore with other Communication Science university faculties and with various journalistic headlines as expert of communication and marketing and he is author of several publications related to this matter. Currently he is director of Sipra. He was a member of the Board of Directors of Enel from 2002 until 2005, and now holds again the office since May 2011.

Fernando Napolitano, 47 years, director (designated in 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, first earning 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; in Booz & Company he was Chief Executive Officer until June 2011, with assignments also of an international scope.

From July 2011 he is founding member of WIMW (*Why Italy Matters to the World*), with registered office in New York, with the purpose of facilitating the meeting of Italian SME with US investors.

From November 2001 to April 2006 he served in the committee for surface digital television instituted by the Ministry of Communication and from July 2002 to September 2006 he was director of the Italian Centre for Aerospace Research. He has been a director of Enel since May 2002 and held the same office at Data Service (currently B.E.E. Team) from May 2007 to October 2008.

Pedro Solbes Mira, 69 years, director (designated in the slate presented by institutional investors).

A graduate in Law at the Complutense University of Madrid and Ph.D in Politics Sciences at the same university, he carried out advanced studies in European economy at the l’Université Libre de Bruxelles.

He began his political career in 1968 as officer at the Ministry of Economics of Spain, holding prestigious offices at Spanish and European institutions. In particular, he held the office of Deputy Minister of International Affairs in Spain from 1986 until 1991 as responsible for the relations with the European Community, from 1991 until 1993 he was Minister of Agriculture, Nutrition and Fishing, while from 1993 until 1996 and from 2004 until 2009 he was Minister of Economic and Financial Affairs. Within the European area he was officer of Business and Monetary Affairs from 1999 until 2004. He was member of the Spanish Parliament in 1996 and 2007, and left the parliamentary office in 2009.

He is currently head of the Supervisory Board of EFRAG (*European Financial Reporting Advisory Group*), member of the *Conseil de Garants de Notre Europe Foundation*,

head of the executive committee of FRIDE (Spanish private foundation for international relations and foreign communication) and head of the Spanish section of the Hispanic-Chinese Forum.

Before holding ministerial offices, he was member of the Board of Directors of a number of Spanish companies as representative of the public shareholder. Currently, he is director of Barclays Bank Espana. He holds the office of Enel's director since May 2011.

Angelo Taraborrelli, 63 years, director (designated in the slate presented by institutional investors).

A graduate with full marks in Law at the University of Siena in 1971, he obtained a master degree in hydrocarbon business at the High School of Hydrocarbon "Enrico Mattei". He began his professional activity at ENI in 1973, where he held various management offices, up to the role of director of planning and control of Saipem. Then he held the office of the holding's deputy head of strategic control and up-stream development and Gas (in 1996) and, subsequently (in 1998), the office of deputy head of planning and industrial control. Subsequently he held the office of deputy chairman of Snamprogetti (from 2001 until 2002) and has been Chief Executive Officer for AgipPetroli's business (2002). From the beginning of 2003, after the incorporation of the aforementioned company in the holding, he was deputy General Manager of the marketing area at the Refining & Marketing Division. From 2004 until 2007 he was General Manager of ENI with responsible for the Refining & Marketing Division. Until September 2007, he was director of Galp (a Portuguese oil company), deputy chairman of Unione Petrolifera (association of the oil companies operating in Italy), director of ENI Foundation and chairman of ENI Trading & Shipping. From 2007 until 2009 he held the office of Chief Executive Officer and General Manager of Syndial, ENI's company operating in chemicals and environmental intervention fields.

In 2009 he left ENI in order to carry out consultancy in oil industry matters; then he was appointed as distinguished associate of Energy Market Consultants (consultancy firm in oil industry matters with legal office in London) in 2010. He is Enel's director since May 2011.

Gianfranco Tosi, 64 years, director (designated in 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 num-

ber 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 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.

ATTACHMENT 2: Biography of the members of the Board of Statutory Auditors

Sergio Duca, 64 years, chairman (designated in 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 auditor, 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 associa-

tion 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, 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, 64 years, regular auditor (designated in 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 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, 69 years, regular auditor (designated in 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, Me-

dio 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, Beni Stabili, as well as 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.

Table 1: Structure of Enel's Board of Directors and Committees

										Internal Control Committee		Compensation Committee		Related Parties Committee		Corporate Governance Committee		Executive Committee (if any)
Board of Directors																		
		In office since	In office until	Slate (M/m) (*)	Execu- tive	Non Execu- tive	Indep. pursuant SC (*****)	Indep. pursuant UFA (*****)	Other offices (**) (%)	(***)	(****)	(****)	(****)	(****)	(****)	(****)	(****)	
Chairman	Colombo Paolo Andrea	5/2011	12/2011	M	X				100%	3						X	100%	
CEO / General Manager	Conti Fulvio	1/2011	12/2011	M	X				100%	2								
Director	Banchi Alessandro	5/2011	12/2011	m		X	X	X	91%	-		X	100%	X	100%			
Director	Codogno Lorenzo	1/ 2011	12/2011	M		X			75%	-	X	92%			X	100%		
Director	Miccio Mauro	5/2011	12/2011	M		X	X	X	91%	-	X	100%			X	100%		
Director	Napolitano Fernando	1/2011	12/2011	M		X			100%	-		X	88%		X	60%		
Director	Solbes Mira Pedro	5/2011	12/2011	m		X	X	X	100%	1		X	80%	X	100%			
Director	Taraborrelli Angelo	5/2011	12/2011	m		X	X	X	100%	-	X	100%		X	100%			
Director	Tosi Gianfranco	1/2011	12/2011	M		X	X	X	100%	-	X	100%		X	50%			
Directors expired during 2011																		
Chairman	Gnudi Piero	1/2011	5/2011	M	X				100%	2								
Director	Ballio Giulio	1/2011	5/2011	m		X	X	X	100%	-		X	100%	X	N.A.			
Director	Costi Renzo	1/2011	5/2011	m		X	X	X	100%	1	X	100%		X	N.A.			
Director	Fantozzi Augusto	1/2011	5/2011	m		X	X	X	100%	5		X	100%	X	N.A.			
Director	Luciano Alessandro	1/2011	5/2011	M		X	X	X	80%	-	X	100%						

Quorum required for the presentation of slates for the appointment of the Board of Directors: 0.5% of the share capital. (*****)

Number of Meetings held during the fiscal year 2011 - BoD: 16; Internal Control Committee: 13; Compensation Committee: 8; Related Parties Committee: 2; Corporate Governance Committee: 5.

NOTES

- * This column shows M/m depending on whether the director has been drawn from the slate voted by the majority (M) or by the minority (m) of the shareholders who attended the Meeting.
- ** This column shows the number of offices held by the interested person in the management and control bodies (offices) of other relevant companies, identified through the policy adopted in this respect by the Board of Directors. In this regard, it should be noted that, at the date of the present report, the current directors of Enel hold the following offices whose importance shall be considered to this purpose:
- 1) Paolo Andrea Colombo: director of Mediaset SpA; chairman of the Board of Statutory Auditors of GE Capital Interbanca SpA and Aviva Vita SpA;
 - 2) Fulvio Conti: director of Barclays Plc and of AON Corporation;
 - 3) Pedro Solbes Mira: director of Barclays España SA.
- *** 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 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 ⁽¹⁾ 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;

(1) It should be noted that, according to applicative criterion 3.C.2 of the Self-regulation Code, the following are to be considered "important representatives" of a company or an organization (including for the purposes of the provisions of the other letters of applicative criterion 3.C.1): the legal representative, the president of the organization, the chairman of the Board of Directors, the executive directors, and the executives with strategic responsibilities of the company or organization under consideration.

- 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⁽²⁾ of a person who is in one of the conditions referred to in the preceding items.

***** 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.

Table 2: Enel's Board of Statutory Auditors

Office	Members	In office from	In office until	Slate (M/m) (*)	(**)	Number of offices (***)
Chairman	Duca Sergio	1/2011	12/2011	m	100%	4
Regular Auditor	Conte Carlo	1/2011	12/2011	M	100%	5
Regular Auditor	Mariconda Gennaro	1/2011	12/2011	M	95%	1
Alternate Auditor	Salsone Antonia Francesca	1/2011	12/2011	M	-	-
Alternate Auditor	Tutino Franco	1/2011	12/2011	m	-	-
Quorum required for the presentation of slates for the appointment of the Board of Statutory Auditors: 0.5% of the share capital (****)						
Number of meetings held in the fiscal year 2011: 22						

NOTE

- * This column shows M/m depending on whether the auditor has been drawn from the slate voted by the majority (M) or by the minority (m) of the shareholders who attended the Meeting.
- ** This column shows the percentage of participation of each regular auditor at the Board of Statutory Auditors' meetings. All absences were appropriately explained.
- *** 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. The entire list of the offices is published by CONSOB and is available on its internet website, pursuant to Article 144-*quinquiesdecies* of CONSOB's Regulation on Issuers.
- **** This quorum applies with effect from the meetings whose notice of call is published after October 31, 2010. For the meetings convened until that date, the quorum was equal to 1% of the share capital.

(2) The comment on Article 3 of the Self-regulation Code states in this regard that, "in principle, the following should be considered not independent: the parents, the spouse (unless legally separated), life partner more uxorio, and co-habitant family members of a person who could not be considered an independent director".

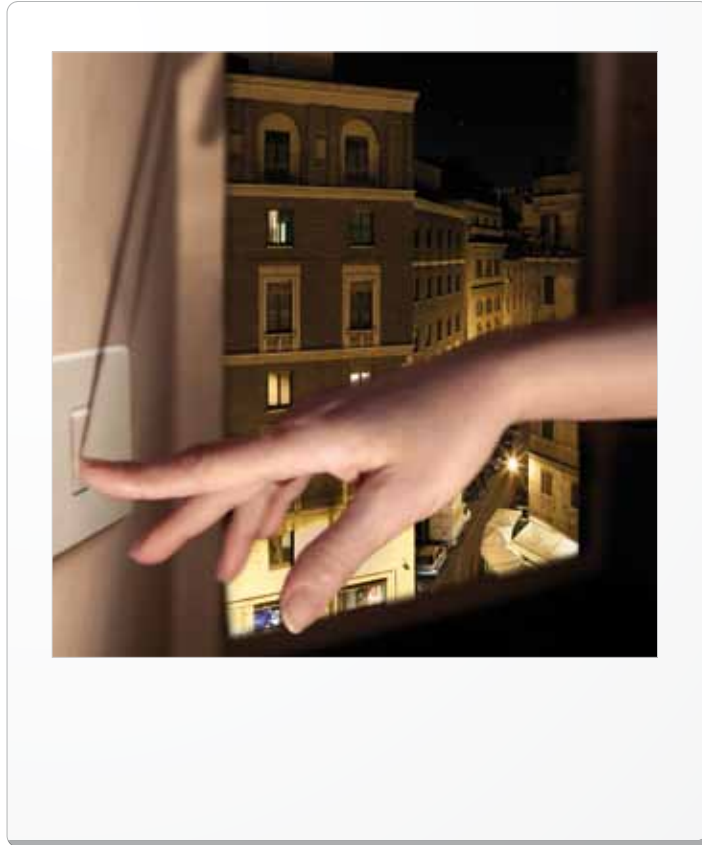
Table 3: Other provisions of the Self-regulation Code

	YES	NO	Summary of the reasons for any deviation from the recommendations of the Code
Delegation system and transactions with related parties			
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		
Procedures of the most recent election of the Board of Directors and of the Board of Statutory Auditors			
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		
Shareholders' Meetings			
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		

continued →

(*) 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 474 of July 30, 1994) with effect from the meetings whose notice of call has been published within October 31, 2010. For the meetings whose notice of call 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
Internal control			
Has the Company appointed the person in charge of internal control?	X		
The person in charge is not head of an operating area?	X		
Organizational position of the person in charge of internal control			Head of the Company's Internal Audit Department
Investor relations			
Has the Company appointed a head of investor relations?	X		
Organizational unit of the head of investor relations and related contact information			<p>Relations with institutional investors: Investor Relations Viale Regina Margherita, 137 - 00198 Rome, Italy tel. ++39 06/83057975 - fax ++39 06/83053771 e-mail: investor.relations@enel.com</p> <p>Relations with retail shareholders: Department of Corporate Affairs Viale Regina Margherita, 137 - 00198 Rome tel. ++39 06/83054000 - fax ++39 06/83055028 e-mail: azionisti.retail@enel.com</p>



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, pursuant to the provisions of Article 154-*bis*, paragraph 5, of Legislative Decree 58 of February 24, 1998 and Article 81-*ter* of CONSOB Regulation 11971 of May 14, 1999

1. The undersigned Fulvio Conti and Luigi Ferraris, in their respective capacities as Chief Executive Officer and 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, 2011 and December 31, 2011.
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, 2011:
 - a. have been prepared in compliance with the international accounting standards recognized in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;
 - b. correspond to the information in the books and other accounting records;
 - c. provide a true and fair representation of the performance and financial position of the issuer.
4. Finally, we certify that the report on operations accompanying the financial statements of Enel SpA at December 31, 2011 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 7, 2012

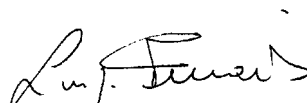
Fulvio Conti

Chief Executive Officer of Enel SpA



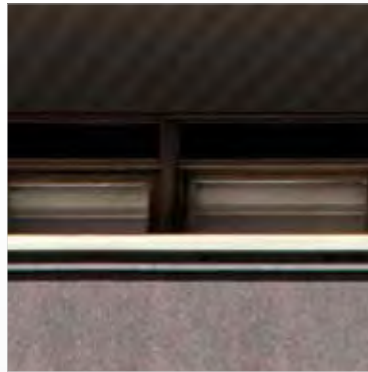
Luigi Ferraris

Officer responsible for the preparation
of the financial reports of Enel SpA





Reports



Report of the Board of Auditors to the shareholders
of Enel SpA (pursuant to Article 153
of Legislative Decree 58/1998)

Shareholders,

During the year ended December 31, 2011 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 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 2011 financial statements (in the section "Significant events in 2011");
- > 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 2011 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 processes set out in the related procedure – adopted in compliance with the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB – described in the report on corporate governance and ownership structure for 2011. With effect from January 1, 2011, the procedure replaced the rules approved by the Board of Directors of Enel SpA on December 19, 2006 in implementation

- of the recommendations in the Corporate Governance Code, whose provisions were in force until December 31, 2010. All transactions with related parties carried out in the period under review and reported in the notes to the 2011 financial statements were executed as part of ordinary operations in the interest of the Company and settled on market terms and conditions;
- > the Shareholders' Meeting of April 29, 2011, resolved, on the basis of a substantiated proposal formulated by the Board of Auditors pursuant to Article 13, paragraph 1, of Decree 39/2010, to engage Reconta Ernst & Young SpA to carry out the statutory audit of the accounts of Enel SpA for the financial years from 2011 to 2019;
 - > the Company declares that it has prepared its statutory financial statements for 2011 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 2011, as well as the provisions of Legislative Decree 38 of February 25, 2005 and its related implementing measures, as it did the previous year. The financial statements for 2011 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 during the period under review, and (ii) standards that have not yet been adopted and are not yet applicable. The statutory financial statements for 2011 of Enel SpA were audited by the independent auditors Reconta Ernst & Young 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 2011 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 2011, as well as the provisions of Legislative Decree 38 of February 25, 2005 and its related implementing measures, as it did the previous year. The 2011 consolidated financial statements of the Enel Group are also 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 consolidated financial statements provide a detailed discussion of the accounting standards and measurement criteria adopted. As regards recently issued accounting standards, the notes to the consolidated financial statements discuss (i) applicable standards adopted for the first time, which according to the notes did not have a material impact for the Group in the year under review, and (ii) standards that have not yet been adopted and are not yet applicable. The consolidated financial statements for 2011 of the Enel Group were audited by the independent auditors Reconta Ernst & Young SpA, which issued an unqualified opinion, including with regard to the consistency of the Report on operations with the consolidated financial statements, pursuant to Article 14 of Decree 39/2010.

Under the terms of its engagement, Reconta Ernst & Young SpA also issued unqualified opinions on the financial statements for 2011 of the other Italian companies of the Enel Group. The analysis performed by the foreign correspondents of Reconta Ernst & Young SpA on the reporting packages of the main foreign companies of the Enel Group, selected on the basis of the work plan prepared by the audit firm and 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 reports on operations of the separate and consolidated financial statements for 2011 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;
- > in line with the recommendations contained in the joint Bank of Italy – CONSOB – ISVAP document 4 of March 3, 2010, the compliance of the impairment testing procedure with the provisions of IAS 36 was expressly approved by the Board of Directors of the Company, having obtained a favorable opinion in this regard from the Internal Control Committee at its meeting of February 23, 2012, i.e. prior to the date of approval of the financial statements for 2011;
- > 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 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 2011, 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. 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 Reconta Ernst & Young 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 provided for under Article 19, paragraph 3(d), of Decree 39/2010 – the nature and the scale of non-audit services provided to the Company and other Enel Group companies by Reconta Ernst & Young 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 Reconta Ernst & Young 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 issues emerged that would require mention in this report. As regards the provisions of Article 19, paragraph 3, of Decree 39/2010, Reconta Ernst & Young SpA provided the Board of Auditors with the report for 2011 “on key issues emerging during the statutory audit”, which did not find 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;

- > 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 and we have no comments in that regard. 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 Reconta Ernst & Young 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 2011 financial statements) certifying (i) the appropriateness with respect to the characteristics of the Company and the 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) 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 2011 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 the Audit department of the Company (who holds the position of Internal Control Officer), with the participation of the Chairman of the Board of Auditors 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 2011 and, most recently, February 2012, 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 Civil Code;
- > the corporate governance arrangements of Enel SpA and the Group it heads continue to comply with the principles of the Corporate Governance Code, published in March 2006 and the amendments made to Article 7 of the Code in March 2010 concerning the remuneration of directors. In December 2011 a new edition of the Corporate Governance Code was published, which contains a number of significant changes compared with the March 2006 edition. In line with the transitional rules governing the new edition, in December 2011 the Board of Directors expressed its intention to incorporate the new recommendations in the corporate governance system during 2012, reporting on the developments in the report on corporate governance and ownership structure that will be published in 2013. In February 2011 (regarding the Board of Directors in office at that time) and in May 2011 and February 2012

(regarding the Board of Directors appointed by the Shareholders' Meeting in April 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 and the principle of the priority of substance over form set out in that Code, adopting a transparent procedure, the details of which are discussed in the report on corporate governance and ownership structure for 2011. As regards the "self-assessment" of the independence of its members, the Board of Auditors verified compliance, in February 2011 and February 2012, noting however that the standing member of the Board of Auditors Carlo Conte met the independence requirements established in the 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 the Consolidated Law on Financial Intermediation and Articles 144-*duodecies et seq.* of the CONSOB Issuers Regulation adopted by CONSOB with Resolution 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 and, most recently, amended and updated in September 2011) for the internal management and processing of confidential information, which also set out the procedures for the disclosure of documentation and information concerning the Company and the Group, with specific regard to inside information. Those rules contain appropriate provisions directed at subsidiaries to enable Enel SpA to comply with statutory market disclosure requirements, pursuant to Article 114, paragraph 2, of the Consolidated Law on Financial Intermediation. The principles set out in the rules are discussed in the report on corporate governance and ownership structure for 2011;
- > 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;
- > 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 company – since July 2002 Enel SpA has adopted a compliance program consistent with the guidelines established by industry associations. The program consists of a "general part" and various "special parts" concerning the difference offences specified by Legislative Decree 231/2001 that the program is intended to prevent. For a description of the main features of the program and the manner in which it has been adopted by the various Group companies, please see the report on corporate governance and ownership structure for 2011. The structure that monitors the operation and compliance with the program and is responsible for updating it (hereinafter, "the Supervisory Body") is a collegial body. In 2011 it was composed of an external member with expertise on corporate organization matters, who also acted as chairman of the body, and the heads of the Audit, Legal Affairs and Corporate Affairs functions, since they have specific professional expertise regarding the application of the compliance program and are not directly involved in operating activities. The Board of Auditors received adequate information on the main activities carried out in 2011 by the Supervisory Body. Our examination of those activities found no facts or situations that would require mention in this report;

- > in 2011 the Board of Auditors issued the following opinions and certifications:
 - a) in March 2011, in view of the presentation to the Board of Directors of a proposal concerning the issue of one or more bonds to be placed in euro or another currency by December 31, 2011, in the maximum total amount of €1 billion, a certification issued on the basis of the most recent approved financial statements of Enel SpA at December 31, 2009, concerning compliance with the limit on the issue of bonds referred to in Article 2412, paragraph 1, of the Civil Code, and the combined provisions of paragraphs 4 and 5 of that article;
 - b) in April 2011, an opinion, issued pursuant to Article 2389, paragraph 3, of the Civil Code, concerning the supplementary compensation to be paid to the departing Chairman of the Board of Directors of Enel SpA;
 - c) in June 2011, in view of the presentation to the Board of Directors of a new proposal concerning the issue of one or more bonds to be placed in euro or another currency by December 31, 2012, in the maximum total amount of €5 billion – subject to revocation of the resolution indicated in point a) above in respect of the part not yet executed – a certification issued on the basis of the most recent approved financial statements of Enel SpA at December 31, 2010, concerning compliance with the limit on the issue of bonds referred to in Article 2412, paragraph 1, of the Civil Code, and the combined provisions of paragraphs 4 and 5 of that article;
 - d) in June 2011, an opinion, issued pursuant to Article 2389, paragraph 3, of the Civil Code, concerning the compensation to be paid to the members of the various committees established within the Board of Directors (namely the Internal Control Committee, the Compensation Committee, the Related Parties Committee and the Corporate Governance Committee) following the reappointment of those committees;
 - e) in November 2011, in view of the presentation to the Board of Directors of a further proposal concerning the issue of one or more bonds to be placed in euro or another currency by December 31, 2012, in the maximum total amount of €5 billion – subject to revocation of the resolution indicated in point c) above in respect of the part not yet executed – a certification issued on the basis of the most recent approved financial statements of Enel SpA at December 31, 2010, concerning compliance with the limit on the issue of bonds referred to in Article 2412, paragraph 1, of the Civil Code, and the combined provisions of paragraphs 4 and 5 of that article;
 - f) in November 2011, an opinion, issued pursuant to Article 2389, paragraph 3, of the Civil Code, concerning the terms of employment and the compensation to be paid to the Chairman and the Chief Executive Officer/General Manager for the 2011-2013 term;
- > the report on remuneration referred to in Article 123-ter of the Consolidated Law on Financial Intermediation, approved by the Board of Directors on the basis of a proposal of the Compensation Committee of April 5, 2012, contains a detailed and comprehensive discussion of 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. The design of these compensation instruments is in line with best practices, complying with the principle of establishing a link with appropriate financial and non-financial performance targets and creation of shareholder value over the medium and long term. The proposals of the Board of Directors concerning such forms of compensation were prepared by the Compensation Committee, which is made up of non-executive directors, of which a majority are independent, drawing on the findings of benchmarking analyses at the national and international level performed by an independent consulting firm;

> the Board of Auditors' oversight activity in 2011 was carried out in 22 meetings and with participation in the 16 meetings of the Board of Directors, in the 13 meetings of the Internal Control Committee, in 5 of the 8 meetings of the Compensation Committee (i.e. in the meetings following the amendment of the organizational rules of the Committee, in line with the new provisions of Article 7 of the Corporate Governance Code of March 2010, providing for the participation of the Chairman of the Board of Auditors in the meetings of the Committee), in the 2 meetings of the Related Party Committee and in the 5 meetings of the Corporate Governance Committee. The delegate of the State Audit Court participated in the meetings of the Board of Auditors and those of the Board of Directors.

During the course of this activity and on the basis of information obtained from Reconta Ernst & Young 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, Reconta Ernst & Young SpA, we recommend that you approve the Company's financial statements for the year ended December 31, 2011 in conformity with the proposals of the Board of Directors.

Rome, April 6, 2012

The Board of Auditors

Chairman
Sergio Duca

Auditor
Carlo Conte

Auditor
Gennaro Mariconda

Report of the Independent Auditors on the 2011 Financial Statements of Enel SpA

Independent auditors' report**pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010****(Translation from the original Italian text)**

To the Shareholders of
Enel S.p.A.

1. We have audited the financial statements of Enel S.p.A. as of December 31, 2011 and for the year then ended, comprising 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 to the financial statements. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Enel S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by other auditors dated April 6, 2011.
3. In our opinion, the financial statements of Enel S.p.A. as of December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Enel S.p.A. for the year then ended.
4. The directors of Enel S.p.A. are responsible for the preparation of the report on operations and the 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 with the financial statements of the report on operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented

in the report on corporate governance and ownership structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) presented in the report on corporate governance and ownership structure, are consistent with the financial statements of Enel S.p.A. as of December 31, 2011.

Rome, April 6 2012

Reconta Ernst & Young S.p.A.
Signed by: Massimo delli Paoli, Partner

This report has been translated into the English language solely for the convenience of international readers.

Concept design
Inarea - Rome

Publishing service
Newton21 - Rome

Copy editing
postScriptum - Rome

Printing
Facciotti - Rome

100 copies printed

Printed in June 2012

INTERNAL PAGES

Paper
Cocoon Offset



Gram weight
120 g/m²

Number of pages
204

COVER

Paper
Respecta 100 Satin



Gram weight
350 g/m²

Number of pages
4

This publication is printed on FSC®
certified 100% recycled paper.



Publication not for sale

Edited by
External Relations Department

Disclaimer:

This Report issued in Italian has been translated
into English solely for the convenience
of international readers.

This publication is an integral part
of the annual financial report referred
to in Article 154-ter, paragraph 1, of the
Consolidated Law on Financial Intermediation
(Legislative Decree 58 of February 24, 1998)

Enel
Società per azioni
Registered Office
137 Viale Regina Margherita, Rome
Share capital
€9,403,357,795
(as of December 31, 2011) fully paid-up
Tax I.D. and Companies Register
of Rome: no. 00811720580
R.E.A. of Rome no. 756032
VAT Code no. 00934061003

By using Cocoon Offset and Respecta 100 Satin rather
than a non recycled paper, the environmental impact
was reduced by:



98
kg of landfill



18
kg of CO₂ of greenhouse gases



180
km travel in the average European car



1,951
litres of water



184
kWh of energy



160
kg of wood

Source:
European BREF (data on virgin fibre paper).
Carbon footprint data audited by the Carbon Neutral Company.