Interim Financial Report at September 30, 2012

Enel

FIFTY YEARS

1962 2012

Enel

FIFTY YEARS

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Our mission

At Enel our mission is to create and distribute value in the international energy market to the benefit of our customers' needs, our shareholders' investments, the competitiveness of the countries in which we operate and the expectations of all those who work with us.

Enel works to serve the community, respecting the environment and the safety of individuals, with a commitment to creating a better world for future generations.


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Foreword

The Interim Financial Report at September 30, 2012 has been prepared in compliance with Article 154-ter, paragraph 5, of Legislative Decree 58 of February 24, 1998, and in conformity with the recognition and measurement criteria set out in the international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period.

Accounting policies and measurement criteria

The accounting standards adopted and measurement criteria used for the Interim Financial Report at September 30, 2012, which has not been audited, are consistent with those used to prepare the consolidated financial statements at December 31, 2011, to which the reader is referred for more information.
This report also applies the following amendments to the international accounting standards adopted for the first time as of January 1, 2012:

> "Amendments to IFRS 7 – *Financial instruments: Disclosures*"; the amendments require additional disclosures to assist users of financial statements to assess the exposure to risk in the transfer of financial assets and the impact of such risks on the Company's financial position. The 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.

Definition of performance indicators

In order to present the results of the Group and analyze its financial structure, Enel has prepared separate reclassified schedules that differ from those envisaged under the IFRS-EU adopted by the Group and presented in this Interim Financial Report at September 30, 2012. 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";
> "Securities held to maturity", "Financial investments in funds or portfolio management products at fair value through profit or loss", "Securities available for sale" and "Other financial receivables";
> "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:

> "Long-term financial receivables (short-term portion)", "Receivables for factoring advances", "Securities", "Financial receivables and cash collateral" and "Other financial receivables";
> "Cash and cash equivalents";
> "Short-term loans" and the "Current portion of long-term loans".

Net assets held for sale: calculated as the algebraic sum of "Assets held for sale" and "Liabilities held for sale".

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", as well as "Net assets held for sale".

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", "Current financial assets" and "Non-current financial assets" not previously considered in other balance sheet indicators. More generally, the net financial debt of the Enel Group is calculated in conformity with paragraph 127 of Recommendation CESR/05-054b implementing Regulation (EC) no. 809/2004 and in line with the CONSOB instructions of July 26, 2007, net of financial receivables and long-term securities.

The Enel organizational structure

As from February 2012, the Group has adopted a new operating model, designed to enhance operational flexibility, making Enel one of the most financially robust and, at the same time, most nimble companies in the energy industry. The new model is based on the following organizational arrangements:

> Parent Company functions, which are responsible for directing and controlling strategic activities for the entire Group;
> global service functions, which are responsible for providing services to the Group, maximizing synergies and economies of scale;
> business lines, represented by seven divisions, as well as the **Upstream Gas** function (which pursues selective vertical integration to increase the competitiveness, security and flexibility of strategic sourcing to meet Enel's gas requirements) and the **Carbon Strategy** function (which operates in global CO_2 certificate markets).

The activities of the individual divisions are set out below.

The **Sales Division** is responsible for commercial activities in Italy, with the objective of developing an integrated package of electricity and gas products and services for end users. More specifically, it is active in the sale of electricity on the regulated market (through Enel Servizio Elettrico) and the sale of electricity on the free market and the sale of natural gas to end users (Enel Energia).

The **Generation and Energy Management Division** is involved in:

> the generation and sale of electricity:
  - generation with thermal and schedulable hydroelectric power plants in Italy (through Enel Produzione, Hydro Dolomiti Enel, SE Hydropower, SF Energy and ENergy Hydro Piave) and in Belgium with the Marcinelle thermal plant operated by Enel Trade through a tolling agreement;
  - trading on international and Italian markets, primarily through Enel Trade, Enel Trade Romania, Enel Trade d.o.o. (Croatia) and Enel Trade Serbia;
> provisioning for all of the Group's needs and the sale of energy products, including natural gas to distributors, through Enel Trade;
> the development of natural gas regasification plants (through Nuove Energie) and storage facilities (Enel Stoccaggi).

The **Infrastructure and Networks Division** is primarily responsible for electricity distribution (Enel Distribuzione) and public and artistic lighting (Enel Sole). Both activities are conducted in Italy.

The **Iberia and Latin America Division** focuses on developing Enel Group's presence and coordinating its operations in the electricity and gas markets of Spain, Portugal and Latin America. During the course of 2011, a number of changes to the scope of the Division were made, involving the Spanish ICT operations and the company Compostilla Re (operating in the reinsurance field), which were reclassified under "Other, eliminations and adjustments" as part of activities to improve the allocation of operating units within the Division.

The **International Division** supports the Enel Group's strategies for international growth, consolidating the management and integration of the foreign businesses outside the Iberian and Latin American markets, monitoring and developing business opportunities that should present themselves on the electricity and fuel markets.
The chief geographical areas of operation for this Division are:

> central Europe, where the Division is active in electricity sales in France (Enel France), power generation in Slovakia (Slovenské elektrárne), and the operation of thermal power plants and support activities in Belgium (Marcinelle Energie and Enel Operations Belgium);
> south-eastern Europe, with the development of generation capacity (Enel Productie) and electricity distribution, sales and support activities in Romania (Enel Distributie Banat, Enel Distributie Dobrogea, Enel Energie, Enel Distributie Muntenia, Enel Energie Muntenia, Enel Romania and Enel Servicii Comune), and the development of thermal plants in Greece (Enelco);
> Russia, with electricity sales and trading (RusEnergoSbyt), power generation and sales (Enel OGK-5), and support services (Enel Rus) in the Russian Federation.

The **Renewable Energy Division** has the mission of developing and managing operations for the generation of electricity from renewable resources, ensuring their integration within the Group in line with the Enel Group's strategies. The geographical areas of operation for this Division are:

> Italy and the rest of Europe, with power generation from non-schedulable hydroelectric plants, as well as geothermal, wind and solar plants in Italy (Enel Green Power and other minor companies), Greece (Enel Green Power Hellas), France (Enel Green Power France), Romania (Enel Green Power Romania) and Bulgaria (Enel Green Power Bulgaria), and plant and franchising activities in Italy (Enel.si);
> Iberia and Latin America, with power generation from renewable sources in Spain and Portugal (Enel Green Power España, which in 2011 absorbed Enel Unión Fenosa Renovables) and Latin America (a number of companies);
> North America, with power generation from renewable sources (Enel Green Power North America).

The mission of the **Engineering and Research Division** (formerly the Engineering and Innovation Division) is to serve the Group by managing the engineering processes related to the development and construction of power plants (conventional and nuclear) ensuring achievement of quality facilities while meeting the temporal and financial objectives set for it. In addition, it is responsible for coordinating nuclear technology operations, providing independent monitoring of the Group's nuclear activities with regard to safety issues. Finally, it also manages research activities identified in the process of managing innovation, with a focus on strategic research and technology scouting.

In this Interim Financial Report, the results by operating segment are discussed on the basis of the organizational arrangements established under the new operating model and taking account of the possibilities for the simplification of disclosures associated with the materiality thresholds established under IFRS 8.

Main changes in the scope of consolidation

2011

- disposal, on February 24, 2011, of Compañía Americana de Multiservicios (CAM), which operates in Latin America in the general services sector;
- disposal, on March 1, 2011, of Synapsis IT Soluciones y Servicios (Synapsis), which operates in Latin America in the IT services sector;
- acquisition, on March 31, 2011, of an additional 16.67% of Sociedad Eólica de Andalucía - SEA, which enabled Enel Green Power España to increase its holding from 46.67% to 63.34%, thereby acquiring control as the majority shareholder and permitting full line-by-line consolidation;
- loss of control, as from April 1, 2011, of Hydro Dolomiti Enel as a result of the change in that company's governance structure, as provided for in the agreements reached between the two shareholders in 2008. Accordingly, the company is consolidated on a proportionate basis (with the stake held by the Enel Group in the company remaining unchanged at 49% both before and after the change in governance arrangements) rather than on a full line-by-line basis;
- acquisition of full control (from joint control) of the assets and liabilities retained by Enel Unión Fenosa Renovables (EUFER) following the break-up of the joint venture between Enel Green Power España and its partner Gas Natural under the agreement finalized on May 30, 2011. As from the date of execution of the agreement, those assets are therefore consolidated on a full line-by-line basis;
- acquisition, on June 9, 2011, of an additional 50% of Sociedade Térmica Portuguesa, as a result of which the Group acquired exclusive control of the company, whereas prior to the acquisition it had exercised joint control. As from that date the company is consolidated on a full line-by-line basis;
- disposal, on June 28, 2011, to Contour Global LP of the entire capital of the Dutch companies Maritza East III Power Holding BV and Maritza O&M Holding Netherland BV. These companies respectively owned 73% of the Bulgarian company Enel Maritza East 3 AD and 73% of the Bulgarian company Enel Operations Bulgaria AD;
- disposal, on November 30, 2011, of 51% of Deval and Vallenergie to Compagnia Valdostana delle Acque, a company owned by the Region of Valle d'Aosta, which already held the remaining 49% of the companies involved;
- acquisition, on December 1, 2011, of 33.33% of SF Energy, a company operating in the hydroelectric generation sector, with the transfer of in-kind and cash consideration by Enel Produzione. With the transfer, the Group acquired joint control of the company (with proportionate consolidation), together with another two partners participating in the investment;
- acquisition, on December 1, 2011, of 50% of Sviluppo Nucleare Italia, in which the Group already held a stake of 50%, which had given it joint control with Electricité de France; as from that date the company has been consolidated on a line-by-line basis.

2012

- acquisition, on January 13, 2012, of an additional 49% of Rocky Ridge Wind Project, which was already a subsidiary (consolidated line-by-line) controlled through a 51% stake;
- acquisition, on February 14, 2012, of the remaining 50% of Enel Stoccaggi, a company in which the Group already held a 50% interest. As from that date the company has been consolidated on a line-by-line basis (previously consolidated proportionately in view of the joint control exercised);
- acquisition, on June 27, 2012, of the remaining 50% of a number of companies in the Kafireas wind power pipeline in Greece, which had previously been included under "Elica 2" and accounted for using the equity method in view of its 30% stake; as from that date the companies have therefore been consolidated on a line-by-line basis;

- acquisition, on June 28, 2012, of 100% of Stipa Nayaa, a Mexican company operating in the wind generation sector;
- disposal, on August 2, 2012, of the entire capital of Water & Industrial Services Company (Wisco), which operates in the waste water treatment sector in Italy.

In the consolidated balance sheet at September 30, 2012, “Assets held for sale” and “Liabilities held for sale” are entirely composed of the assets and related liabilities of Endesa Ireland, which was then sold on October 9, 2012.

Summary of results

Performance and financial position

3rd Quarter		Millions of euro	First nine months	
2012	2011		**2012**	2011
21,207	19,105	Revenues	61,899	57,496
4,479	4,355	Gross operating margin	12,761	13,284
2,859	2,942	Operating income	8,200	9,014
1,237	1,285	Net income before non-controlling interests	3,629	4,474
987	940	Group net income	2,808	3,492
		Group net income per share in circulation at period-end (euro)	0.30	0.37
		Net capital employed	102,309	99,069 (1)
		Net financial debt	46,456	44,629 (1)
		Shareholders' equity (including non-controlling interests)	55,853	54,440 (1)
		Group shareholders' equity per share in circulation at period-end (euro)	4.20	4.13 (1)
		Cash flows from operating activities	5,038	4,753
		Capital expenditure on tangible and intangible assets	4,377	4,665

(1) At December 31, 2011.

Revenues in the first nine months of 2012 totaled €61,899 million, an increase of €4,403 million or 7.7% compared with the first nine months of 2011. The rise is essentially attributable to greater revenues from the sale and transport of electricity, a number of positive regulatory items recognized in the 3rd Quarter of 2012 associated with changes in the mechanism for reimbursing costs incurred following the elimination of the Electrical Worker Pension Fund (FPE) as from January 1, 2000, and higher revenues from the sale of fuels for trading and from the sale of gas to end users.

Please note that revenues in the first nine months of 2011 also included proceeds of €435 million (€7 million in the same period of 2012) from the sale of a number of equity investments and the remeasurement at fair value of the assets and liabilities of a number of companies whose status with respect to the requirements concerning control changed.

Millions of euro	First nine months			
	2012	2011	Change	
Sales	13,860	12,932	928	7.2%
Generation and Energy Management	17,222	15,345	1,877	12.2%
Infrastructure and Networks	6,082	5,415	667	12.3%
Iberia and Latin America	25,140	24,029	1,111	4.6%
International	6,324	5,650	674	11.9%
Renewable Energy	1,924	1,859	65	3.5%
Other, eliminations and adjustments	(8,653)	(7,734)	(919)	-11.9%
Total	**61,899**	**57,496**	**4,403**	**7.7%**

The ***gross operating margin*** in the first nine months of 2012 amounted to €12,761 million, a decrease of €523 million or 3.9% from the same period of 2011. More specifically, the decline is attributable to lower proceeds from the sale of a number of equity investments and from remeasurement at fair value, the reduction in the generation margin in Italy and the change in the scope of consolidation as a result of disposals made in the two periods under review, the overall effects of which were only partially offset by the positive regulatory items mentioned above in the section on revenues.

Millions of euro	First nine months			
	2012	2011	Change	
Sales	494	446	48	10.8%
Generation and Energy Management	1,028	1,659	(631)	-38.0%
Infrastructure and Networks	3,335	3,129	206	6.6%
Iberia and Latin America	5,589	5,562	27	0.5%
International	1,104	1,200	(96)	-8.0%
Renewable Energy	1,124	1,183	(59)	-5.0%
Other, eliminations and adjustments	87	105	(18)	-17.1%
Total	**12,761**	**13,284**	**(523)**	**-3.9%**

Operating income in the first nine months of 2012 totaled €8,200 million, down €814 million or 9.0% compared with the same period of 2011, taking account of the decline in proceeds from disposals mentioned above and an increase of €291 million in depreciation, amortization and impairment losses.

Millions of euro	First nine months			
	2012	2011	Change	
Sales	161	220	(59)	-26.8%
Generation and Energy Management	561	1,219	(658)	-54.0%
Infrastructure and Networks	2,556	2,442	114	4.7%
Iberia and Latin America	3,334	3,450	(116)	-3.4%
International	825	771	54	7.0%
Renewable Energy	764	889	(125)	-14.1%
Other, eliminations and adjustments	(1)	23	(24)	-
Total	**8,200**	**9,014**	**(814)**	**-9.0%**

Group net income in the first nine months of 2012 came to €2,808 million, a decrease of €684 million or 19.6% compared with the same period of 2011. The negative impact of the decline in operating income was only partially offset by the benefit from the gain on the sale of the 5.1% stake in Terna, which is reported under financial income for the period in the amount of €185 million.

Net financial debt at September 30, 2012 amounted to €46,456 million, up €1,827 million compared with December 31, 2011. At September 30, 2012, the debt/equity ratio came to 0.83 (0.82 at December 31, 2011).

Capital expenditure in the first nine months of 2012 totaled €4,377 million, a decrease of 6.2%, concentrated primarily in the Renewable Energy and International Divisions.

Millions of euro	First nine months			
	2012	2011	Change	
Sales	53	40	13	32.5%
Generation and Energy Management	232	224	8	3.6%
Infrastructure and Networks (1)	1,011	934	77	8.2%
Iberia and Latin America (2)	1,472	1,425	47	3.3%
International (3)	794	979	(185)	-18.9%
Renewable Energy	714	1,033	(319)	-30.9%
Other, eliminations and adjustments (4)	101	30	71	-
Total	**4,377**	**4,665**	**(288)**	**-6.2%**

(1) The figure for the first nine months of 2011 does not include €6 million regarding units classified as "Held for sale".
(2) The figure for the first nine months of 2012 does not include €73 million regarding units classified as "Held for sale" (€82 million in the first nine months of 2011).
(3) The figure for the first nine months of 2011 does not include €4 million regarding units classified as "Held for sale".
(4) The figure for the first nine months of 2012 does not include €1 million regarding units classified as "Held for sale".

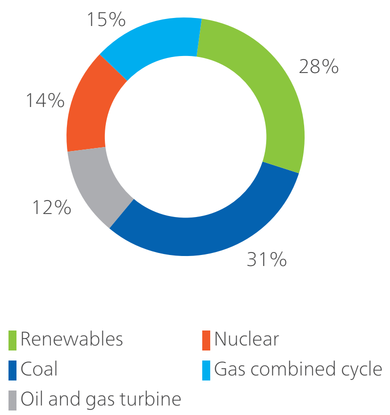
Operations

3rd Quarter							First nine months					
Italy	Abroad	**Total**	Italy	Abroad	**Total**		Italy	Abroad	**Total**	Italy	Abroad	**Total**
2012			2011				**2012**			2011		
19.3	57.0	**76.3**	20.7	54.4	**75.1**	Net electricity generated by Enel (TWh)	57.4	167.7	**225.1**	60.0	159.5	**219.5**
61.6	45.2	**106.8**	62.5	44.5	**107.0**	Electricity transported on the Enel distribution network (TWh)	180.1	132.6	**312.7**	184.6	130.6	**315.2**
27.8	54.3	**82.1**	26.0	53.1	**79.1**	Electricity sold by Enel (TWh) (1)	77.8	160.8	**238.6**	77.0	155.4	**232.4**
0.4	0.9	**1.3**	0.4	0.8	**1.2**	Gas sold to end users (billions of m^3)	3.0	3.2	**6.2**	3.1	2.8	**5.9**
						Employees at period-end (no.) (2)	36,585	38,292	**74,877**	36,842	38,518	**75,360** (3)

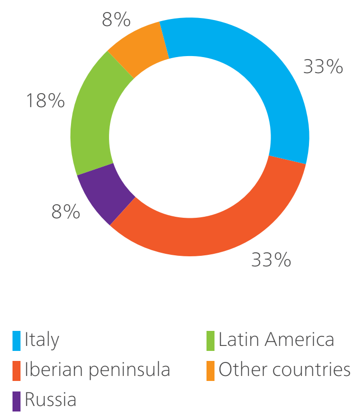
(1) Excluding sales to resellers.
(2) Of which 109 and 135 in units classified as "Held for sale" at September 30, 2012 and December 31, 2011, respectively.
(3) At December 31, 2011.

Net electricity generated by Enel in the first nine months of 2012 amounted to 225.1 TWh, up 2.6% on the same period of the previous year. This development is associated with an increase in generation abroad (up 8.2 TWh) that more than offset the decline registered in Italy (down 2.6 TWh). More specifically, as regards generation abroad, the increase in volumes produced in the Iberian peninsula (up 3.9 TWh, mainly from nuclear and wind generation), in Russia (up 1.9 TWh, largely due to the completion of two new combined-cycle plants), in Latin America (up 2.8 TWh, primarily in Colombia and Brazil), in Belgium (up 0.8 TWh with the entry into service of the Marcinelle plant) and in the United States (up 0.7 TWh), more than offset the decline associated with the contraction in the scope of consolidation with the disposal of Enel Maritza East 3 (a decrease of 2.6 TWh).

Net electricity generation by source (first nine months of 2012)



Electricity sold by geographical area (first nine months of 2012)

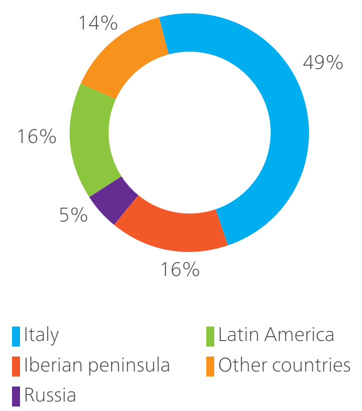


Electricity transported on the Enel distribution network amounted to 312.7 TWh in the first nine months of 2012, a decrease of 2.5 TWh, essentially reflecting the decline in the demand for electricity in Italy, Spain and Romania, partially offset by the increase registered in Latin America. The figures for the 3rd Quarter show a smaller contraction (down 0.2 TWh), although the trend remained the same in the various markets.

Electricity sold by Enel in the first nine months of 2012 amounted to 238.6 TWh, an increase of 6.2 TWh or 2.7%, largely attributable to sales abroad (up 5.4 TWh). More specifically, the increase in sales in Latin America (up 2.4 TWh, mainly concentrated in Brazil), in Russia (up 2.0 TWh), in France (up 1.7 TWh), in Slovakia and Romania (a total of 0.9 TWh) was only partially offset by the decrease posted in the Iberian peninsula (down 1.6 TWh).

At September 30, 2012, Enel Group ***employees*** numbered 74,877 (of which 38,292 employed outside Italy). The Group workforce contracted by 483 during the first nine months of 2012, mainly attributable to the net balance of new hirings and terminations.

Employees by geographical area (at September 30, 2012)



Results by division

The representation of divisional performance presented here is based on the approach used by management in monitoring Group performance for the two periods under review.

The presentation of the results is based on the new organizational arrangements and the scope for the simplification of disclosures associated with the materiality thresholds established under IFRS 8.

In particular, the item "Other, eliminations and adjustments" includes not only the effects from the elimination of intersegment transactions, but also the figures for the Parent Company, Enel SpA, the Services and Other Activities area and the Engineering and Research Division, which in 2011 had been reported separately, as well as the Upstream Gas function previously reported under the Generation and Energy Management Division. The comparative performance data for the 3rd Quarter and first nine months of 2011 have all been restated appropriately.

Results by division for the 3rd Quarter of 2012 and 2011

3rd Quarter of 2012 (1)

Millions of euro	Sales	GEM	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	**Total**
Revenues from third parties	4,396	4,652	1,157	8,628	1,886	463	25	**21,207**
Revenues from other segments	56	1,266	1,141	17	165	129	(2,774)	**-**
Total revenues	**4,452**	**5,918**	**2,298**	**8,645**	**2,051**	**592**	**(2,749)**	**21,207**
Net income/(charges) from commodity risk management	37	79	-	(16)	10	(8)	-	**102**
Gross operating margin	**166**	**334**	**1,362**	**1,945**	**347**	**317**	**8**	**4,479**
Depreciation, amortization and impairment losses	131	158	308	756	117	123	27	**1,620**
Operating income	**35**	**176**	**1,054**	**1,189**	**230**	**194**	**(19)**	**2,859**

3rd Quarter of 2011 (1)

Millions of euro	Sales	GEM	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	**Total**
Revenues from third parties	4,096	3,895	758	8,133	1,674	412	137	**19,105**
Revenues from other segments	33	1,229	1,063	52	157	118	(2,652)	**-**
Total revenues	**4,129**	**5,124**	**1,821**	**8,185**	**1,831**	**530**	**(2,515)**	**19,105**
Net income/(charges) from commodity risk management	(1)	89	-	9	8	(4)	-	**101**
Gross operating margin	**120**	**414**	**1,104**	**1,951**	**402**	**307**	**57**	**4,355**
Depreciation, amortization and impairment losses	80	151	229	698	127	102	26	**1,413**
Operating income	**40**	**263**	**875**	**1,253**	**275**	**205**	**31**	**2,942**

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

Results by division for the first nine months of 2012 and 2011

First nine months of 2012 (1)

Millions of euro	Sales	GEM	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	**Total**
Revenues from third parties	13,728	12,843	2,810	25,062	5,828	1,549	79	**61,899**
Revenues from other segments	132	4,379	3,272	78	496	375	(8,732)	**-**
Total revenues	**13,860**	**17,222**	**6,082**	**25,140**	**6,324**	**1,924**	**(8,653)**	**61,899**
Net income/(charges) from commodity risk management	57	152	-	(60)	64	(15)	-	**198**
Gross operating margin	**494**	**1,028**	**3,335**	**5,589**	**1,104**	**1,124**	**87**	**12,761**
Depreciation, amortization and impairment losses	333	467	779	2,255	279	360	88	**4,561**
Operating income	**161**	**561**	**2,556**	**3,334**	**825**	**764**	**(1)**	**8,200**
Capital expenditure	**53**	**232**	**1,011**	**1,472** (2)	**794**	**714**	**101** (3)	**4,377**

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €73 million regarding units classified as "Held for sale".
(3) Does not include €1 million regarding units classified as "Held for sale".

First nine months of 2011 (1)

Millions of euro	Sales	GEM	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	**Total**
Revenues from third parties	12,815	11,394	2,271	23,872	5,238	1,518	388	**57,496**
Revenues from other segments	117	3,951	3,144	157	412	341	(8,122)	**-**
Total revenues	**12,932**	**15,345**	**5,415**	**24,029**	**5,650**	**1,859**	**(7,734)**	**57,496**
Net income/(charges) from commodity risk management	7	214	-	1	(2)	(1)	-	**219**
Gross operating margin	**446**	**1,659**	**3,129**	**5,562**	**1,200**	**1,183**	**105**	**13,284**
Depreciation, amortization and impairment losses	226	440	687	2,112	429	294	82	**4,270**
Operating income	**220**	**1,219**	**2,442**	**3,450**	**771**	**889**	**23**	**9,014**
Capital expenditure	**40**	**224**	**934** (2)	**1,425** (3)	**979** (4)	**1,033**	**30**	**4,665**

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €6 million regarding units classified as "Held for sale".
(3) Does not include €82 million regarding units classified as "Held for sale".
(4) Does not include €4 million regarding units classified as "Held for sale".

Sales

Operations

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
				Free market:				
6,931	7,192	(261)	-3.6%	- mass-market customers	19,717	20,714	(997)	-4.8%
3,434	2,732	702	25.7%	- business customers (1)	10,231	7,933	2,298	29.0%
561	537	24	4.5%	- safeguard market customers	1,556	1,520	36	2.4%
10,926	**10,461**	**465**	**4.4%**	**Total free market**	**31,504**	**30,167**	**1,337**	**4.4%**
16,699	**15,359**	**1,340**	**8.7%**	**Regulated market (enhanced protection market)**	**45,924**	**46,448**	**(524)**	**-1.1%**
27,625	**25,820**	**1,805**	**7.0%**	**TOTAL**	**77,428**	**76,615**	**813**	**1.1%**

(1) Supplies to large customers and energy-intensive users (annual consumption greater than 1 GWh).

Electricity sold by the Sales Division in the first nine months of 2012 amounted to 77,428 million kWh, (27,625 million kWh in the 3rd Quarter of 2012), up 813 million kWh (up 1,805 million kWh in the 3rd Quarter of 2012) compared with the same period of the previous year. More specifically, the higher volumes sold on the free market, mainly to business customers, more than offset lower sales to customers in the enhanced protection market, essentially as a result of the ongoing shift of customers from the regulated system to the free market. The pattern differed in the 3rd Quarter of 2012, when the increase in volumes sold involved both the free market and the regulated market (enhanced protection).

Gas sales

3rd Quarter				Millions of m^3	First nine months			
2012	2011	Change			**2012**	2011	Change	
183	217	(34)	-15.7%	Mass-market customers (1)	2,318	2,242	76	3.4%
169	226	(57)	-25.2%	Business customers	715	873	(158)	-18.1%
352	**443**	**(91)**	**-20.5%**	**Total**	**3,033**	**3,115**	**(82)**	**-2.6%**

(1) Includes residential customers and microbusinesses.

Gas sales in the first nine months of 2012 amounted to 3,033 million cubic meters (352 million cubic meters in the 3rd Quarter of 2012), down 82 million cubic meters compared with the same period of the previous year (down 91 million cubic meters in the 3rd Quarter of 2012).

Performance

3rd Quarter			Millions of euro	First nine months		
2012	2011	Change		**2012**	2011	Change
4,452	4,129	323	Revenues	13,860	12,932	928
166	*120*	*46*	*Gross operating margin*	*494*	*446*	*48*
35	40	(5)	Operating income	161	220	(59)
			Operating assets	6,239	5,209 (1)	1,030
			Operating liabilities	6,012	6,050 (1)	(38)
			Employees at period-end (no.)	3,718	3,745 (1)	(27)
			Capital expenditure	53	40	13

(1) At December 31, 2011.

Performance in the 3rd Quarter

Revenues for the 3rd Quarter of 2012 amounted to €4,452 million, an increase of €323 million compared with the same period of 2011 (up 7.8%), due to the following main factors:

> an increase of €203 million in revenues on the regulated electricity market, mainly associated with the increase in average sales prices and higher volumes sold (up 1.3 TWh);

> an increase of €160 million in revenues on the free electricity market, essentially due to higher volumes sold (up 0.5 TWh);

> an increase of €17 million in revenues from sales of natural gas to end users, mainly due to the increase in average sales prices.

The ***gross operating margin*** for the 3rd Quarter of 2012 totaled €166 million, an increase of €46 million compared with the same period of 2011. The increase is attributable to the higher margin on the free market for electricity and gas, as well as the increase in the margin on the regulated electricity market.

Operating income for the 3rd Quarter of 2012, after depreciation, amortization and impairment losses of €131 million (€80 million in the same period of 2011), amounted to €35 million, down €5 million compared with the 3rd Quarter of 2011. The change reflects greater impairment losses on trade receivables.

Performance in the first nine months

Revenues for the first nine months of 2012 amounted to €13,860 million, an increase of 928 million or 7.2% compared with the same period of 2011, due to the following main factors:

> an increase of €381 million in revenues on the regulated electricity market, mainly associated with the increase in revenues covering the sales service. This was only partially offset by the decrease in average revenues covering generation costs, the decline in amounts sold (down 0.5 TWh) and the recognition of certain prior-year items, which between the two periods under review showed a net negative difference of €67 million. More specifically, in the first nine months of 2012 those items comprised negative equalization adjustments for prior-year purchases (€62 million), while in the first nine months of 2011 they produced a net positive impact of €5 million in respect of equalization for prior-year purchases and the remuneration mechanism hedging the collection risk for the receivables of safeguard service operators;

> an increase of €321 million in revenues on the free electricity market, essentially due to higher volumes sold (up 1.3 TWh);

> an increase of €266 million in revenues from sales of natural gas to end users, mainly due to the increase in average sales prices due to the change in market conditions and the revision of the component for retail sales (QVD).

The ***gross operating margin*** for the first nine months of 2012 totaled €494 million, an increase of €48 million or 10.8% compared with the same period of 2011. More specifically, the change is attributable to:

> an increase of €32 million in the margin on the free market for electricity and gas. More specifically, the positive effects of the increase in electricity volumes sold and the increase in unit margins on the gas market were only partially offset by the decline in gas volumes sold and the reduction in unit margins on the electricity market;

> an increase of €16 million in the margin on the regulated electricity market, mainly attributable to the improvement in the electricity margin as a result of the increase in revenues recognized for the sales service, only partially offset by the impact of the decline in the number of customers served and increased operating expenses.

Operating income for the first nine months of 2012, after depreciation, amortization and impairment losses of €333 million (€226 million in the same period of 2011), amounted to €161 million, down €59 million compared with the first nine months of 2011. This development reflects an increase of €98 million in impairment losses on trade receivables.

Capital expenditure

Capital expenditure amounted to €53 million, an increase of €13 million compared with the same period of the previous year.

Generation and Energy Management

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
13,235	13,663	(428)	-3.1%	Thermal	39,180	37,461	1,719	4.6%
3,866	4,325	(459)	-10.6%	Hydroelectric	10,532	13,509	(2,977)	-22.0%
3	3	-	-	Other resources	8	7	1	14.3%
17,104	**17,991**	**(887)**	**-4.9%**	**Total net generation**	**49,720**	**50,977**	**(1,257)**	**-2.5%**
16,618	*17,991*	*(1,373)*	*-7.6%*	*- of which Italy*	*48,917*	*50,977*	*(2,060)*	*-4.0%*
486	-	*486*	-	*- of which Belgium*	*803*	-	*803*	-

In the first nine months of 2012, net electricity generation by the Generation and Energy Management Division amounted to 49,720 million kWh, a decrease of 2.5% compared with the same period of the previous year. The decline was sharper in the 3rd Quarter of 2012, when net generation came to 17,104 million kWh, down 4.9% compared with the 3rd Quarter of 2011, partly in reflection of the significant contraction in electricity demand. More specifically, the decrease of 2,977 million kWh in hydroelectric generation in the first nine months (a decrease of 459 million kWh in the 3rd Quarter of 2012) owing to poorer water conditions in the period was partially offset by an increase of 1,719 million kWh in thermal generation in the period, of which 916 million kWh in Italy, thanks to the strong competitiveness of coal-fired plants and the exceptionally bad weather conditions in the early months of 2012, and 803 million kWh in Belgium, which is attributable to the entry into service on April 1, 2012, of the combined-cycle plant of Marcinelle Energie, which is operated by the Division under a tolling agreement.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2012		2011		Change			**2012**		2011		Change	
330	2.4%	208	1.4%	122	58.7%	High-sulfur fuel oil (S>0.25%)	674	1.6%	564	1.4%	110	19.5%
17	0.1%	56	0.4%	(39)	-69.6%	Low-sulfur fuel oil (S<0.25%)	453	1.1%	229	0.6%	224	97.8%
347	*2.5%*	*264*	*1.8%*	*83*	*31.4%*	*Total fuel oil*	*1,127*	*2.7%*	*793*	*2.0%*	*334*	*42.1%*
4,212	29.9%	5,428	37.4%	(1,216)	-22.4%	Natural gas	11,423	27.2%	14,593	36.7%	(3,170)	-21.7%
9,377	66.6%	8,682	59.8%	695	8.0%	Coal	28,956	69.1%	24,008	60.3%	4,948	20.6%
147	1.0%	143	1.0%	4	2.8%	Other fuels	414	1.0%	403	1.0%	11	2.7%
14,083	**100.0%**	**14,517**	**100.0%**	**(434)**	**-3.0%**	**Total**	**41,920**	**100.0%**	**39,797**	**100.0%**	**2,123**	**5.3%**

Gross thermal generation in the first nine months of 2012 totaled 41,920 million kWh, an increase of 2,123 million kWh or 5.3% compared with the same period of 2011. The fuel mix shows an especially large rise in generation from coal (up 4.9 TWh) and in generation from fuel oil, reflecting the gas emergency in the early months of 2012. Conversely, in the 3rd Quarter of 2012 generation totaled 14,083 million kWh, down 434 million kWh or 3.0% compared with the same period of the previous year.

Performance

3rd Quarter			Millions of euro	First nine months		
2012	2011	Change		**2012**	2011	Change
5,918	5,124	794	Revenues	17,222	15,345	1,877
334	*414*	*(80)*	*Gross operating margin*	*1,028*	*1,659*	*(631)*
176	263	(87)	Operating income	561	1,219	(658)
			Operating assets	16,308	16,522 (1)	(214)
			Operating liabilities	4,875	5,104 (1)	(229)
			Employees at period-end (no.)	6,177	6,277 (1)	(100)
			Capital expenditure	232	224	8

(1) At December 31, 2011.

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2012 amounted to €5,918 million, an increase of €794 million or 15.5% compared with the same period of 2011. The increase is largely attributable to the following main factors:

> a €421 million increase in revenues from electricity sales, essentially due to the increase in revenues from sales to resellers on the domestic market (€198 million), the increase of €161 million in revenues from sales on the Power Exchange, and the increase of €56 million in revenues from electricity sales to other Group divisions;

> a €189 million increase in revenues from fuel trading, essentially attributable to sales of natural gas;

> a €212 million increase in revenues from the sale of green certificates.

The ***gross operating margin*** for the 3rd Quarter of 2012 totaled €334 million, a decrease of €80 million or 19.3% compared with the €414 million posted in the corresponding period of 2011. The decline is essentially attributable to:

> a decrease of €25 million in the margin on the ancillary services;

> a decrease of €17 million in the margin on natural gas sales and trading;

> a decline of €11 million in the generation margin, essentially due to poorer water conditions;

- the effect of the change in the method used to consolidate Hydro Dolomiti Enel and SF Energy and the effect of the grants in the first nine months of 2011 to "new entrants" in the emissions trading system.

Operating income totaled €176 million (€263 million in the 3rd Quarter of 2011) taking account of an increase of €7 million in depreciation, amortization and impairment losses.

Performance in the first nine months

Revenues for the first nine months of 2012 amounted to €17,222 million, an increase of €1,877 million or 12.2% compared with the same period of 2011. Excluding the impact of the gain recognized in the first nine months of 2011 (€237 million) from the fair value adjustment of the assets and liabilities of Hydro Dolomiti Enel corresponding to the Group's remaining equity investment in the company (following its loss of control as a result of the change in its corporate governance structure), revenues increased by €2,114 million. The latter is largely attributable to the following main factors:

- a €1,518 million increase in revenues from electricity sales, mainly due to the increase of €685 million in revenues from sales on the Power Exchange (essentially connected with higher volumes handled and higher average sales prices), the increase of €608 million in revenues from sales to resellers on the domestic market and the increase of €236 million (with an increase of 0.2 TWh in volumes) in revenues from electricity sales to other Group divisions, especially the Sales Division;
- an €881 million increase in revenues from fuel trading, essentially attributable to sales of natural gas (€853 million), partially offset by a decline of €83 million in revenues from trading on international electricity markets associated with a decrease of 3.4 TWh in volumes handled;
- a €25 million increase in revenues associated with the fees for plants essential to system security and a €21 million rise in revenues from the sale of green certificates to the Energy Services Operator (ESO);
- a €28 million decrease in revenues for shipping services;
- a €45 million decrease in revenues owing to the change in the method used to consolidate the plants of Hydro Dolomiti Enel and San Floriano Energy;
- a €148 million decrease in revenues for grants to "new entrants" in the emissions trading system, essentially attributable to the impact of the recognition in the first nine months of 2011 of certain prior-year items associated with the commercial operation of unit 4 of the Torrevaldaliga Nord plant.

The ***gross operating margin*** for the first nine months of 2012 totaled €1,028 million, a decrease of €631 million or 38.0% compared with the €1,659 million posted in the corresponding period of 2011. Excluding the gain from the adjustment to fair value of the assets and liabilities of Hydro Dolomiti Enel, the gross operating margin decreased by €394 million. The decline is essentially attributable to:

- a decline in the generation margin (€162 million), essentially due to poorer water conditions and higher environmental charges, only partially offset by the greater competitiveness and availability of coal-fired plants;
- the effect, noted in the comments on revenues, of the grants in the first nine months of 2011 to "new entrants" in the emissions trading system;
- a decrease in the margin on green certificate activities, as well as the effect (€28 million) of the change in the method used to consolidate Hydro Dolomiti Enel and SF Energy;
- an increase in operating expenses.

These adverse effects were partially offset by:

- an increase of €76 million in the margin on the ancillary services market;
- an increase of €56 million in the margin on natural gas sales and trading, due essentially to more favorable sourcing conditions on the market.

Operating income totaled €561 million, down €658 million or 54.0% (including an increase of €27 million in depreciation, amortization and impairment losses) compared with the €1,219 million posted in the corresponding period of 2011, including the impact of the gain from the fair value adjustment of the Group's share of Hydro Dolomiti Enel.

Capital expenditure

Capital expenditure in the first nine months of 2012 came to €232 million, mainly in respect of generation plants. The main investments regarded work at the coal-fired thermal plants at Brindisi and Torrevaldaliga Nord and the refurbishing/repowering of hydroelectric plants.

Infrastructure and Networks

Operations

Transport of electricity

3rd Quarter					First nine months			
2012	2011	Change			**2012**	2011	Change	
61,616	62,516	(900)	-1.4%	Electricity transported on Enel's distribution network (millions of kWh) (1)	180,108	184,569	(4,461)	-2.4%

(1) The figures for the first nine months of 2011 and the 3rd Quarter of 2011 take account of a more accurate calculation of quantities transported.

Energy transported on the Enel network in Italy in the first nine months of 2012 decreased by 4,461 million kWh or 2.4%, going from 184,569 million kWh in the first nine months of 2011 to 180,108 million kWh in the first nine months of 2012. Excluding the electricity transmitted in the first nine months of 2011 by Deval, which was sold on November 30, 2011, the decline amounted to 3,779 million kWh, essentially in line with developments in electricity demand in Italy.

Similar developments were registered in the 3rd Quarter of 2012, with electricity transported amounting to 61,616 million kWh, down 900 million kWh or 1.4% compared with the same period of 2011.

Performance

3rd Quarter			Millions of euro	First nine months		
2012	2011	Change		**2012**	2011	Change
2,298	1,821	477	Revenues	6,082	5,415	667
1,362	*1,104*	*258*	*Gross operating margin*	*3,335*	*3,129*	*206*
1,054	875	179	Operating income	2,556	2,442	114
			Operating assets	17,983	17,479 (1)	504
			Operating liabilities	6,696	6,418 (1)	278
			Employees at period-end (no.)	18,819	18,951 (1)	(132)
			Capital expenditure (2)	1,011	934	77

(1) At December 31, 2011.
(2) The figure for the first nine months of 2011 does not include €6 million regarding units classified as "Held for sale".

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2012 amounted to €2,298 million, an increase of €477 million or 26.2% compared with those posted in the same period of the previous year. The change is essentially attributable to:

> the recognition of the reimbursement entitlement for charges incurred following the elimination of the FPE, as provided for in Resolution no. 157/12 of the Authority for Electricity and Gas (the Authority), in the amount of €541 million;
> a decrease of €44 million in connection fees;
> the negative impact of equalization mechanisms, which more than offset the positive effect of the revision of distribution and metering rates following application of the Authority's Resolution no. 157/12;
> a decrease in grants from the Electricity Equalization Fund for white certificates;
> the effect of the change in the scope of consolidation with the sale of Deval.

The ***gross operating margin*** amounted to €1,362 million, an increase of €258 million or 23.4%, essentially attributable to:

- the effect of the reimbursement by the Authority of the FPE charge noted above (€541 million);
- a decrease of €35 million in the margin on the transport of electricity, due primarily to the negative impact of equalization mechanisms, which more than offset the positive effect of the updating of distribution and metering rates;
- an increase in operating expenses, mainly due to personnel costs, essentially as a result of the revision of the estimated liability for early retirement incentives undertaken in the 2nd Quarter of 2011 and to net provisions for litigation.

Operating income, after depreciation, amortization and impairment losses of €308 million (€229 million in the 3rd Quarter of 2011), and including the FPE reimbursement provided for under Resolution no. 157/12, totaled €1,054 million, an increase of €179 million compared with the same period of 2011 (up 20.5%).

Performance in the first nine months

Revenues in the first nine months of 2012 amounted to €6,082 million, an increase of €667 million or 12.3% compared with those posted in the same period of the previous year. The change is essentially attributable to:

- the recognition of the reimbursement entitlement for charges incurred following the elimination of the FPE, as provided for in the Authority's Resolution no. 157/12, in the amount of €541 million;
- an increase of €62 million in grants from the Electricity Equalization Fund for white certificates;
- an increase in revenues (€37 million) from the sale of digital meters and associated services to the Iberia and Latin America Division;
- an increase of €79 million in rate revenues. More specifically, the positive effect of the revision of distribution and metering rates following application of the Authority's Resolution no. 157/12 was almost entirely offset by the negative impact of equalization mechanisms, the volume effect and the effect of the change in the scope of consolidation with the sale of Deval;
- a decrease of €79 million in connection fees;
- the effect of the recognition in the 2nd Quarter of 2011 of income amounting to €19 million connected with the settlement with F2i Reti Italia of a number of items relating to the sale of 80% di Enel Rete Gas in 2009.

The ***gross operating margin*** amounted to €3,335 million, an increase of €206 million or 6.6%, essentially attributable to:

- the effect of the reimbursement by the Authority of the FPE charge noted above (€541 million);
- an increase of €84 million in the margin on the transport of electricity, due primarily to the positive effect of the updating of distribution and metering rates, partially offset by the negative impact of equalization mechanisms;
- a decrease of €79 million in connection fees, as noted under revenues;
- an increase in operating expenses, mainly due to personnel costs (including the revision of the estimated liability for early retirement incentives undertaken in the 2nd Quarter of 2011 in the amount of €83 million) and to net provisions for litigation;
- the effect of the recognition in the 2nd Quarter of 2011 of income amounting to €19 million, as discussed under revenues;
- the negative effect of the change in the scope of consolidation with the sale of Deval (€11 million).

Operating income, after depreciation, amortization and impairment losses of €779 million (€687 million in the first nine months of 2011), totaled €2,556 million, an increase of €114 million compared with that posted in the same period of 2011 (up 4.7%). The increase in depreciation, amortization and impairment losses is essentially attributable to the increase in impairment losses on trade receivables.

Capital expenditure

Capital expenditure in the first nine months of 2012 amounted to €1,011 million, a rise of €77 million compared with the same period of the previous year. It mainly regarded the work done to upgrade plant for dispatching electricity generated by renewables plants and that on the low and medium-voltage grids for improvements in service quality, in line with the standards set by the Authority in Resolution no. 198/11.

Iberia and Latin America

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
19,200	19,979	(779)	-3.9%	Thermal	56,229	55,566	663	1.2%
7,291	7,176	115	1.6%	Nuclear	21,025	18,480	2,545	13.8%
11,154	9,722	1,432	14.7%	Hydroelectric	31,226	28,459	2,767	9.7%
44	30	14	46.7%	Wind	113	98	15	15.3%
37,689	**36,907**	**782**	**2.1%**	**Total net generation**	**108,593**	**102,603**	**5,990**	**5.8%**
20,055	*21,185*	*(1,130)*	*-5.3%*	*- of which Iberian peninsula*	*60,099*	*56,651*	*3,448*	*6.1%*
4,325	*3,800*	*525*	*13.8%*	*- of which Argentina*	*11,715*	*12,518*	*(803)*	*-6.4%*
1,173	*1,043*	*130*	*12.5%*	*- of which Brazil*	*3,544*	*2,395*	*1,149*	*48.0%*
5,742	*5,311*	*431*	*8.1%*	*- of which Chile*	*15,296*	*14,499*	*797*	*5.5%*
3,852	*3,106*	*746*	*24.0%*	*- of which Colombia*	*10,248*	*8,616*	*1,632*	*18.9%*
2,306	*2,323*	*(17)*	*-0.7%*	*- of which Peru*	*6,981*	*7,307*	*(326)*	*-4.5%*
236	*139*	*97*	*69.8%*	*- of which other countries*	*710*	*617*	*93*	*15.1%*

Net electricity generation by the Division in the first nine months of 2012 amounted to 108,593 million kWh, an increase of 5,990 million kWh compared with the same period of 2011.

In the first nine months of 2012, net electricity generation in the Iberian peninsula rose by 3,448 million kWh or 6.1% as a result of an increase in nuclear generation (up 13.8%), which in the same period of 2011 was affected by maintenance work, and in thermal generation (up 6.0%), only partially offset by the decline in hydroelectric output.

In Latin America, net electricity generation posted an increase of 2,449 million kWh, mainly as a result of greater hydroelectric generation in Colombia, Chile, Brazil and Argentina, only partially offset by the decline in thermal generation in Argentina, Chile and Peru.

In the 3rd Quarter of 2012 net generation amounted to 37,689 million kWh, an increase of 782 million kWh or 2.1% compared with the same period of 2011.

The decrease of 1,130 million kWh or 5.3% in net generation in the Iberian peninsula, essentially associated with a decline in conventional thermal generation, was more than offset by greater net electricity generation in Latin America, which rose in all countries except Peru.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2012		2011		Change			**2012**		2011		Change	
2,573	9.3%	2,518	8.9%	55	2.2%	High-sulfur fuel oil (S>0.25%)	6,723	8.3%	7,118	9.2%	(395)	-5.5%
6,833	24.6%	6,797	24.0%	36	0.5%	Natural gas	20,875	25.7%	22,880	29.6%	(2,005)	-8.8%
9,026	32.4%	9,235	32.6%	(209)	-2.3%	Coal	27,176	33.5%	22,413	29.0%	4,763	21.3%
7,638	27.4%	7,514	26.6%	124	1.7%	Nuclear fuel	21,977	27.0%	19,301	25.0%	2,676	13.9%
1,761	6.3%	2,245	7.9%	(484)	-21.6%	Other fuels	4,450	5.5%	5,509	7.2%	(1,059)	-19.2%
27,831	**100.0%**	**28,309**	**100.0%**	**(478)**	**-1.7%**	**Total**	**81,201**	**100.0%**	**77,221**	**100.0%**	**3,980**	**5.2%**

Gross thermal generation in the first nine months of 2012 amounted to 81,201 million kWh (27,831 million kWh in the 3rd Quarter of 2012), an increase of 3,980 million kWh compared with the same period of the previous year (down 478 million kWh in the 3rd Quarter of 2012). The generation mix used in Spain saw the use of coal increase following both the entry into force of a government subsidy for the use of domestic coal and more favorable import prices for that fuel. In addition to the rise in the use of coal in Spain, the decline in natural gas generation reflects the decrease in operations at a number of plants in Peru, Chile and Argentina.

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
27,105	29,176	(2,071)	-7.1%	Free market	82,309	85,158	(2,849)	-3.3%
14,517	12,487	2,030	16.3%	Regulated market	40,071	36,464	3,607	9.9%
41,622	**41,663**	**(41)**	**-0.1%**	**Total**	**122,380**	**121,622**	**758**	**0.6%**
26,596	*27,379*	*(783)*	*-2.9%*	*- of which Iberian peninsula*	*77,985*	*79,614*	*(1,629)*	*-2.0%*
3,901	*3,805*	*96*	*2.5%*	*- of which Argentina*	*11,053*	*10,860*	*193*	*1.8%*
4,371	*3,971*	*400*	*10.1%*	*- of which Brazil*	*13,212*	*12,049*	*1,163*	*9.7%*
3,144	*3,002*	*142*	*4.7%*	*- of which Chile*	*9,317*	*8,644*	*673*	*7.8%*
2,061	*2,027*	*34*	*1.7%*	*- of which Colombia*	*6,097*	*5,972*	*125*	*2.1%*
1,549	*1,479*	*70*	*4.7%*	*- of which Peru*	*4,716*	*4,483*	*233*	*5.2%*

Electricity sales to end users in the first nine months of 2012 totaled 122,380 million kWh (41,622 million kWh in the 3rd Quarter of 2012), an increase of 758 million kWh compared with the same period of 2011 (down 41 million kWh in the 3rd Quarter of 2012). The increase in sales in Latin America (up 2,387 million kWh), especially in Brazil and Chile as a result of the increase in electricity demand, was partially offset by the decrease in volumes sold in the Iberian peninsula (down 1,629 million kWh).

Performance

3rd Quarter			Millions of euro	First nine months		
2012	2011	Change		**2012**	2011	Change
8,645	8,185	460	Revenues	25,140	24,029	1,111
1,945	*1,951*	*(6)*	*Gross operating margin*	*5,589*	*5,562*	*27*
1,189	1,253	(64)	Operating income	3,334	3,450	(116)
			Operating assets (1)	76,511	76,124 (2)	387
			Operating liabilities (3)	11,376	11,852 (2)	(476)
			Employees at period-end (no.) (4)	23,087	22,877 (2)	210
			Capital expenditure (5)	1,472	1,425	47

(1) Of which €369 million regarding units classified as "Held for sale" at September 30, 2012 (€359 million at December 31, 2011).
(2) At December 31, 2011.
(3) Of which €32 million regarding units classified as "Held for sale" at September 30, 2012 (€32 million at December 31, 2011).
(4) Includes 109 in units classified as "Held for sale" at September 30, 2012 (113 at December 31, 2011).
(5) The figure for the first nine months of 2012 does not include €73 million in capital expenditure regarding units classified as "Held for sale" (€82 million in the first nine months of 2011).

Performance in the 3rd Quarter

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2012	2011	Change	**2012**	2011	Change	**2012**	2011	Change
Europe	5,872	5,619	253	1,076	1,062	14	613	644	(31)
Latin America	2,773	2,566	207	869	889	(20)	576	609	(33)
Total	**8,645**	**8,185**	**460**	**1,945**	**1,951**	**(6)**	**1,189**	**1,253**	**(64)**

Revenues in the 3rd Quarter of 2012 posted an increase of €460 million as a result of:

> an increase of €253 million in revenues in Europe, essentially attributable to:
  - an increase in revenues from the sale of electricity;
  - an increase in revenues from the sale and transport of gas to end users due to greater quantities sold and a rise in average sales prices;
  - an increase in grants for extra-peninsular generation in the amount of €108 million.

  Those factors were only partially offset by the decline in revenues from electricity distribution operations connected with the entry into force in the Spanish electrical system of *Real Decreto Ley* no. 13/2012. Revenues in Europe also reflected the transfer of the Division's ICT operations and Compostilla Re to the Other, eliminations and adjustments area;

> an increase of €207 million in revenues in Latin America, due to the rise in the volume of electricity sold in all the Latin American countries.

The ***gross operating margin*** amounted to €1,945 million, down €6 million or 0.3% compared with the same period of 2011, as a result of:

> a decrease of €20 million in the gross operating margin in Latin America, essentially attributable to a contraction in generation margins and increased personnel expenses;

> an increase of €14 million in the gross operating margin in Europe, essentially attributable to the rise in the generation and sales margin and lower operating expenses, only partially offset by the lower distribution margin in the Spanish market, partly as a consequence of the entry into force of *Real Decreto Ley* no. 13/2012 mentioned earlier.

Operating income in the 3rd Quarter of 2012, after depreciation, amortization and impairment losses amounting to €756 million (€698 million in the 3rd Quarter of 2011), amounted to €1,189 million, a decrease of €64 million compared with the same period of 2011.

Performance in the first nine months

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2012	2011	Change	**2012**	2011	Change	**2012**	2011	Change
Europe	17,113	16,484	629	3,237	3,214	23	1,844	1,880	(36)
Latin America	8,027	7,545	482	2,352	2,348	4	1,490	1,570	(80)
Total	**25,140**	**24,029**	**1,111**	**5,589**	**5,562**	**27**	**3,334**	**3,450**	**(116)**

Revenues for the first nine months of 2012 showed an increase of 1,111 million, the result of:

> an increase of €629 million in revenues in Europe, essentially attributable to:
  - an increase in revenues from the sale of electricity;
  - an increase in revenues from the sale and transport of gas to end users due to greater quantities sold and a rise in average sales prices;
  - an increase in grants for extra-peninsular generation in the amount of €197 million.

  Those factors were only partially offset by the decline in revenues from electricity distribution operations connected with the entry into force in the Spanish electrical system of *Real Decreto Ley* no. 13/2012. Revenues in Europe also reflected the transfer of the Division's ICT operations and Compostilla Re to the Other, eliminations and adjustments area;

> an increase of €482 million in revenues in Latin America, due to the rise in the volume of electricity sold, only partially offset by the recognition in the first nine months of 2011 of the capital gain on the disposals of CAM and Synapsis (€15 million).

The ***gross operating margin*** amounted to €5,589 million, an increase of €27 million or 0.5% compared with the same period of 2011, as a result of:

> an increase of €23 million in the gross operating margin in Europe, essentially attributable to:
  - an increase in the generation and sales margin, essentially connected with higher sales prices and the elimination provided for in *Real Decreto Ley* no. 13/2012 of the mechanism for financing the social bonus in Spain, which had been borne by generating companies (with a benefit of €66 million);
  - the reduction in the distribution margin on the Spanish regulated market, which was adversely affected by the entry into force of the above decree;
  - the change in the scope of consolidation with the transfer of Division's ICT operations and Compostilla Re, with a negative impact of €51 million;

> an increase of €4 million in the gross operating margin in Latin America, essentially attributable to higher distribution margins, the effect of the recognition in the first nine months of 2011 of the net worth tax (€109 million) in Colombia and the positive impact of developments in exchange rates with respect to the euro. These factors were only partially offset by a decline in generation margins and increased personnel expenses.

Operating income for the first nine months of 2012 amounted to €3,334 million, a decrease of €116 million compared with the same period of 2011. Depreciation, amortization and impairment losses, which totaled €2,255 million in the first nine months of 2012 (€2,112 million in the same period of 2011), increased by €143 million, which in addition to greater depreciation charges on generation plants reflected the impairment loss recognized in the 1st Half of 2012 on the net assets held for sale of Endesa Ireland in order to align their value with the estimated sale value, as well as the writeback recognized on the value of land in the Balearic Islands following a favorable ruling by the Spanish courts.

Capital expenditure

Capital expenditure totaled €1,472 million, up €47 million compared with the year-earlier period. In particular, capital expenditure in the first nine months of 2012 primarily involved work on the distribution grid (€854 million, of which €469 million in Europe and €385 million in Latin America which also include investments in plants operated under concession arrangements). Investment in generation plants (€529 million) mainly focused on the construction of the El Quimbo hydroelectric plant in Colombia, the Talara plant in Peru and the coal-fired Bocamina II plant in Chile.

International

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
11,422	10,893	529	4.9%	Thermal	34,579	35,397	(818)	-2.3%
3,631	3,263	368	11.3%	Nuclear	10,722	10,656	66	0.6%
845	1,038	(193)	-18.6%	Hydroelectric	3,200	3,062	138	4.5%
6	6	-	-	Other resources	22	18	4	22.2%
15,904	**15,200**	**704**	**4.6%**	**Total net generation**	**48,523**	**49,133**	**(610)**	**-1.2%**
10,904	*10,453*	*451*	*4.3%*	*- of which Russia*	*32,999*	*31,120*	*1,879*	*6.0%*
5,000	*4,747*	*253*	*5.3%*	*- of which Slovakia*	*15,524*	*15,389*	*135*	*0.9%*
-	*-*	*-*	*-*	*- of which Bulgaria*	*-*	*2,624*	*(2,624)*	*-100.0%*

Net generation in the first nine months of 2012 amounted to 48,523 million kWh (15,904 million kWh in the 3rd Quarter of 2012), a decrease of 610 million kWh compared with the same period of 2011 (up 704 million kWh in the 3rd Quarter of 2012). The reduction is mainly attributable to the decline in output resulting from the sale of Enel Maritza East 3 in June 2011 (a decrease of 2,624 million kWh). These factors were only partially offset by the increase in output by Enel OGK-5 (up 1,879 million kWh) following completion of the new combined cycle plants of Sredneuralskaya and Nevinnomysskaya, as well as greater nuclear generation and hydroelectric generation (thanks to the favorable water conditions in the period) by Slovenské elektrárne.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2012		2011		Change			**2012**		2011		Change	
66	0.4%	27	0.2%	39	-	High-sulfur fuel oil (S>0.25%)	227	0.5%	94	0.2%	133	-
6,334	39.7%	6,101	40.7%	233	3.8%	Natural gas	18,224	37.9%	17,181	35.1%	1,043	6.1%
5,648	35.4%	5,361	35.7%	287	5.4%	Coal	18,060	37.6%	20,229	41.3%	(2,169)	-10.7%
3,907	24.5%	3,514	23.4%	393	11.2%	Nuclear fuel	11,529	24.0%	11,453	23.4%	76	0.7%
15,955	**100.0%**	**15,003**	**100.0%**	**952**	**6.3%**	**Total**	**48,040**	**100.0%**	**48,957**	**100.0%**	**(917)**	**-1.9%**

Gross thermal generation in the first nine months of 2012 decreased by 917 million kWh (up 952 million kWh in the 3rd Quarter of 2012) to 48,040 million kWh (15,955 million kWh in the 3rd Quarter of 2012). The decline for the first nine months of 2012 is essentially due to lower coal-fired output as a result of the sale of Enel Maritza East 3, partially offset by greater natural gas generation as a result of the completion of the Enel OGK-5 plants.

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
10,001	8,931	1,070	12.0%	Free market	30,206	26,052	4,154	15.9%
2,683	2,466	217	8.8%	Regulated market	8,184	7,719	465	6.0%
12,684	**11,397**	**1,287**	**11.3%**	**Total**	**38,390**	**33,771**	**4,619**	**13.7%**
2,300	*2,113*	*187*	*8.8%*	*- of which Romania*	*6,864*	*6,517*	*347*	*5.3%*
3,072	*3,141*	*(69)*	*-2.2%*	*- of which France*	*9,730*	*7,988*	*1,742*	*21.8%*
6,263	*5,236*	*1,027*	*19.6%*	*- of which Russia*	*18,638*	*16,590*	*2,048*	*12.3%*
1,049	*907*	*142*	*15.7%*	*- of which Slovakia*	*3,158*	*2,676*	*482*	*18.0%*

Electricity sold by the International Division in the first nine months of 2012 amounted to 38,390 million kWh (12,684 million kWh in the 3rd Quarter of 2012), an increase of 4,619 million kWh or 13.7%, accounted for by:

> the Russian market in the amount of 2,048 million kWh (up 1,027 million kWh in the 3rd Quarter of 2012) as a result of increased operation by RusEnergoSbyt;

> an increase of 1,742 million kWh in sales by Enel France (down 69 million kWh in the 3rd Quarter of 2012) as a result of the entry into force on July 1, 2011, of the ARENH ("*Accès Régulé à l'Electricité Nucléaire Historique*") mechanism;

> a total increase of 829 million kWh in sales in Slovakia and Romania (up 329 million kWh in the 3rd Quarter of 2012). More specifically, the increase in sales in Romania is attributable to the increasing liberalization of the market and to the rise in consumption by non-residential customers.

Performance

3rd Quarter			Millions of euro	First nine months		
2012	2011	Change		**2012**	2011	Change
2,051	1,831	220	Revenues	6,324	5,650	674
347	*402*	*(55)*	*Gross operating margin*	*1,104*	*1,200*	*(96)*
230	275	(45)	Operating income	825	771	54
			Operating assets	13,848	13,480 (1)	368
			Operating liabilities	5,041	5,254 (1)	(213)
			Employees at period-end (no.)	13,199	13,779 (1)	(580)
			Capital expenditure (2)	794	979	(185)

(1) At December 31, 2011.
(2) The figure for the first nine months of 2011 does not include €4 million regarding units classified as "Held for sale".

Performance in the 3rd Quarter

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2012	2011	Change	**2012**	2011	Change	**2012**	2011	Change
Central Europe	1,018	964	54	134	194	(60)	81	121	(40)
South-eastern Europe	268	244	24	83	69	14	59	44	15
Russia	765	623	142	130	139	(9)	90	110	(20)
Total	**2,051**	**1,831**	**220**	**347**	**402**	**(55)**	**230**	**275**	**(45)**

Revenues in the 3rd Quarter of 2012 rose by €220 million or 12.0%, going from €1,831 million to €2,051 million. The performance was related to the following factors:

> an increase of €54 million in revenues in central Europe, essentially attributable to the rise posted in Slovakia (€64 million) due to an increase in volumes sold. This change was only partially offset by a decline in revenues posted in France (€18 million) owing to the fall in energy demand;
> an increase of €142 million in revenues in Russia, attributable to RusEnergoSbyt (€70 million) and Enel OGK-5 (€72 million);
> an increase of €24 million in revenues in south-eastern Europe, essentially as a result of the rise in the revenues of the Romanian companies thanks to an increase in the number of customers and in quantities sold.

The ***gross operating margin*** amounted to €347 million, a decrease of €55 million compared with the 3rd Quarter of 2011. The change is attributable to:

> an increase of €14 million in the gross operating margin in south-eastern Europe;
> a decrease of €60 million in the gross operating margin in central Europe, reflecting the joint impact of the decrease in the margins posted in France and by Slovenské elektrárne;
> a decrease of €9 million in the gross operating margin in Russia, owing to the decline in the margin achieved by RusEnergoSbyt (€21 million), only partially offset by the increase in the margin of Enel OGK-5 (€12 million).

Operating income in the 3rd Quarter of 2012 amounted to €230 million, a decrease of €45 million or 16.4% compared with the same period of 2011, taking account of a decrease of €10 million in depreciation, amortization and impairment losses.

Performance in the first nine months

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2012	2011	Change	**2012**	2011	Change	**2012**	2011	Change
Central Europe	3,299	2,754	545	540	573	(33)	374	374	-
South-eastern Europe	765	875	(110)	169	259	(90)	171	114	57
Russia	2,260	2,021	239	395	368	27	280	283	(3)
Total	**6,324**	**5,650**	**674**	**1,104**	**1,200**	**(96)**	**825**	**771**	**54**

Revenues in the first nine months of 2012 rose by €674 million or 11.9%, going from €5,650 million to €6,324 million. The performance was related to the following factors:

> an increase of €545 million in revenues in central Europe, of which €417 million in Slovakia and €117 million in France. Both changes are due to an increase in volumes sold;
> an increase of €239 million in revenues in Russia, attributable to:
- Enel OGK-5 (€132 million), thanks to the rise in output following the completion of new plants. This impact was only partially offset by the decrease in average sales prices;
- an increase of €107 million in the revenues posted by RusEnergoSbyt, mainly due to higher volumes sold;
> a decrease of €110 million in revenues in south-eastern Europe, essentially as a result of the change in the scope of consolidation after the sale of Enel Maritza East 3 and Enel Operations Bulgaria in June 2011. This factor was only partially offset by the increase in the sales revenues of the Romanian companies, essentially due to an increase in the number of customers and in quantities sold.

The ***gross operating margin*** amounted to €1,104 million, a decrease of €96 million compared with the first nine months of 2011. The change is associated with:

> a decrease of €90 million in the gross operating margin in south-eastern Europe as a result of the exit of the Bulgarian companies from the scope of consolidation (€82 million) and the decrease in the margin posted in Romania (€7 million);
> a decrease of €33 million in the gross operating margin in central Europe, mainly due to the combined impact of the decrease in the margin posted by Enel France as a result of lower average sales prices and that achieved

by Slovenské Elektrárne (€12 million) essentially due to the decline in sales of CO_2 emissions allowances, only partially offset by an increase in the generation margin;

> an increase of €27 million in the gross operating margin in Russia, essentially attributable to Enel OGK-5 (€29 million).

Operating income for the first nine months of 2012 totaled €825 million, an increase of €54 million or 7.0% compared with the same period of 2011, taking account of a decrease of €150 million in depreciation, amortization and impairment losses. The latter change is essentially attributable to the writeback recognized in the first nine months of 2012 on trade receivables in Romania (€94 million) and to the depreciation, amortization and impairment losses recognized in the same period of the previous year in respect of the assets of the Bulgarian companies that were divested in 2011 (€22 million).

Capital expenditure

Capital expenditure came to €794 million, down €185 million from the same period of the previous year. The change in essentially attributable to lower capital expenditure on electricity distribution plant in Romania and lower expenditure on generation plants in Russia.

Renewable Energy

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
2,183	2,302	(119)	-5.2%	Hydroelectric	7,218	7,904	(686)	-8.7%
1,358	1,361	(3)	-0.2%	Geothermal	4,109	4,157	(48)	-1.2%
1,899	1,224	675	55.1%	Wind	6,283	4,254	2,029	47.7%
212	168	44	26.2%	Other resources	608	496	112	22.6%
5,652	**5,055**	**597**	**11.8%**	**Total**	**18,218**	**16,811**	**1,407**	**8.4%**
2,686	*2,758*	*(72)*	*-2.6%*	*- of which Italy*	*8,453*	*9,069*	*(616)*	*-6.8%*
940	*816*	*124*	*15.2%*	*- of which Iberian peninsula*	*3,145*	*2,659*	*486*	*18.3%*
66	*51*	*15*	*29.4%*	*- of which France*	*246*	*139*	*107*	*77.0%*
109	*79*	*30*	*38.0%*	*- of which Greece*	*342*	*240*	*102*	*42.5%*
133	*19*	*114*	-	*- of which Romania*	*403*	*74*	*329*	-
323	*355*	*(32)*	*-9.0%*	*- of which Republic of Panama*	*1,332*	*1,219*	*113*	*9.3%*
95	*100*	*(5)*	*-5.0%*	*- of which Brazil*	*398*	*414*	*(16)*	*-3.9%*
751	*500*	*251*	*50.2%*	*- of which United States and Canada*	*2,783*	*2,110*	*673*	*31.9%*
549	*377*	*172*	*45.6%*	*- of which other countries*	*1,116*	*887*	*229*	*25.8%*

Net electricity generation by the Division totaled 18,218 million kWh in the first nine months of 2012 (5,652 million kWh in the 3rd Quarter of 2012), up 1,407 million kWh (up 597 million kWh in the 3rd Quarter of 2012). Of the total rise, 2,023 million kWh is attributable to greater generation abroad, mainly as a result of the increase in installed wind capacity in the United States and Canada (up 753 million kWh), the Iberian peninsula (up 523 million kWh) and Romania (up 329 million kWh). Net electricity generation in Italy in the first nine months of 2012 decreased by 616 million kWh compared with the same period of 2011, reflecting a decline of 785 million kWh in hydroelectric generation as a result of less favorable water conditions and one of 43 million kWh in geothermal generation, partially offset by an increase in wind and solar output.

Developments in the 3rd Quarter of 2012 were similar, albeit less pronounced.

Performance

3rd Quarter			Millions of euro	First nine months		
2012	2011	Change		**2012**	2011	Change
592	530	62	Revenues	1,924	1,859	65
317	*307*	*10*	*Gross operating margin*	*1,124*	*1,183*	*(59)*
194	205	(11)	Operating income	764	889	(125)
			Operating assets (1)	11,821	11,204 (2)	617
			Operating liabilities	1,410	1,475 (2)	(65)
			Employees at period-end (no.)	3,432	3,229 (2)	203
			Capital expenditure	714	1,033	(319)

(1) Of which €4 million regarding units classified as "Held for sale" at December 31, 2011.
(2) At December 31, 2011.

Performance in the 3rd Quarter

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2012	2011	Change	**2012**	2011	Change	**2012**	2011	Change
Italy and the rest of Europe	366	325	41	206	197	9	148	149	(1)
Iberia and Latin America	180	172	8	92	98	(6)	41	56	(15)
North America	46	33	13	19	12	7	5	-	5
Total	**592**	**530**	**62**	**317**	**307**	**10**	**194**	**205**	**(11)**

Revenues increased by €62 million or 11.7%, going from €530 million to €592 million. The change is due to:

> an increase of €41 million in revenues in Italy and the rest of Europe, essentially as a result of greater volumes generated in the rest of Europe and higher average sales prices in Italy;

> an increase of €13 million in revenues in North America, as a consequence of the rise in amounts produced and in sales prices;

> an increase of €8 million in revenues in the Iberian peninsula and in Latin America, mainly a consequence of the rise in amounts produced and in average sales prices.

The ***gross operating margin*** amounted to €317 million, an increase of €10 million or 3.3% compared with the 3rd Quarter of 2011.

Operating income totaled €194 million, a decrease of €11 million, taking account of an increase of €21 million in depreciation, amortization and impairment losses.

Performance in the first nine months

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2012	2011	Change	**2012**	2011	Change	**2012**	2011	Change
Italy and the rest of Europe	1,179	1,045	134	678	638	40	510	501	9
Iberia and Latin America	580	674	(94)	356	460	(104)	207	337	(130)
North America	165	140	25	90	85	5	47	51	(4)
Total	**1,924**	**1,859**	**65**	**1,124**	**1,183**	**(59)**	**764**	**889**	**(125)**

Revenues amounted to €1,924 million, an increase of €65 million or 3.5% compared with the same period of the previous year. The performance reflects:

> an increase of €134 million in revenues in Italy and the rest of Europe, essentially attributable to:
  - an increase of €115 million in revenues in the rest of Europe, mainly in Romania, France and Greece as a result of greater volumes generated and the increase in revenues from the sale of green certificates;
  - an increase of €24 million in revenues from generation in Italy, mainly due to the rise in average sales prices and greater generation of subsidized electricity;

> an increase of €25 million in revenues in North America. More specifically, the positive impact of an increase in volumes generated and the recognition of higher revenues from tax partnerships was only partially offset by the effect (€16 million) of the recognition in the first nine months of 2011 of an indemnity from the Canadian authorities in settlement of a dispute;

> a decrease of €94 million in revenues in the Iberian peninsula and Latin America. Excluding the gain recognized in the first nine months of 2011 from:
  - the adjustment to fair value of the net assets of Sociedad Eólica de Andalucía and TP – Sociedade Térmica Portuguesa (previously accounted for using the equity method) with respect to the portion held prior to the acquisition of an additional stake in the companies that led to full control (€45 million);
  - the remeasurement at fair value of the net assets already held in Enel Unión Fenosa Renovables (€76 million);
  - the recognition of the capital gain (€44 million) from the sale to Gas Natural of the assets of Enel Unión Fenosa Renovables

  revenues increased by €71 million. That rise is mainly attributable to greater volumes generated in the Latin American countries and to higher average sales prices and greater volumes in Spain.

The ***gross operating margin*** amounted to €1,124 million, down €59 million or 5.0% compared with the first nine months of 2011. The decrease is attributable to the net effect of the following factors:

> a decrease of €104 million in the margin registered in the Iberian peninsula and Latin America; excluding the non-recurring income discussed under revenues, the margin increased by €61 million, mainly due to the rise in amounts produced;

> an increase of €40 million in the margin posted in Italy and the rest of Europe as a result of the increase in volumes generated in the rest of Europe;

> an increase of €5 million in the margin achieved in North America; excluding the indemnity discussed under revenues, the margin rose by €21 million as a result of greater volumes produced, only partially offset by higher operating expenses.

Operating income totaled €764 million, a decrease of €125 million, taking account of an increase of €66 million in depreciation, amortization and impairment losses, essentially attributable to the net effect of the entry into service of a number of plants and the revised estimate of the useful life of wind plants, in line with industry practice.

Capital expenditure

Capital expenditure in the first nine months of 2012 totaled €714 million, down €319 million compared with the same period of the previous year. Investments mainly regarded wind plants in Italy and Europe (€204 million), in North America (€107 million) and in the Iberian peninsula (€60 million), solar plants in Italy and Greece (€87 million), hydroelectric plants in Italy, Guatemala, Costa Rica and North America (€72 million) and geothermal plants in Italy and North America (€118 million).

Other, eliminations and adjustments

3rd Quarter			Millions of euro	First nine months		
2012	2011	Change		**2012**	2011	Change
(2,749)	(2,515)	(234)	Revenues	(8,653)	(7,734)	(919)
450	570	(120)	Revenues (net of eliminations)	1,380	1,577	(197)
8	*57*	*(49)*	*Gross operating margin*	*87*	*105*	*(18)*
(19)	31	(50)	Operating income	(1)	23	(24)
			Employees at period-end (no.) (1)	6,445	6,502 (2)	(57)
			Capital expenditure (3)	101	30	71

(1) Includes 22 in units classified as "Held for sale" at December 31, 2011.
(2) At December 31, 2011.
(3) The figure does not include €1 million regarding units classified as "Held for sale".

Performance in the 3rd Quarter

Revenues net of eliminations in the 3rd Quarter of 2012 amounted to €450 million, a decrease of €120 million or 21.1% compared with the same period of the previous year, essentially attributable to:

> a decrease of €94 million in revenues from the sale of electricity to the Single Buyer, associated with the expiry (December 31, 2011) of the long-term import contract on the Swiss border with Alpiq (formerly Atel);

> a decrease of €13 million in revenues from engineering activities as a result of the completion of a number of projects;

> an increase of €5 million in revenues following the transfer of ICT services in Spain and the reinsurance company Compostilla Re.

The ***gross operating margin*** for the 3rd Quarter of 2012 amounted to €8 million, a decrease of €49 million compared with the same period of 2011.

Operating income showed a loss of €19 million, a deterioration of €50 million compared with performance in the 3rd Quarter of 2011, reflecting the decline in the gross operating margin.

Performance in the first nine months

Revenues net of eliminations in the first nine months of 2012 amounted to €1,380 million, a decrease of €197 million or 12.5% compared with the same period of the previous year, essentially attributable to:

> a decrease of €270 million in revenues from the sale of electricity by the Parent Company, Enel SpA, to the Single Buyer, entirely associated with the expiry (December 31, 2011) of the long-term import contract on the Swiss border with Alpiq;

> a decrease of €53 million in revenues from engineering activities as a result of the completion of a number of major projects, including the coal conversion of the Torrevaldaliga Nord plant and the construction of the Marcinelle Energie plant;

> an increase of €132 million in revenues for other services following the transfer of ICT services in Spain and the reinsurance company Compostilla Re to the "Other, eliminations and adjustments" segment, which had previously been reported under the Iberia and Latin America Division.

The ***gross operating margin*** in the first nine months of 2012 amounted to €87 million, a decrease of €18 million. More specifically, the increase in personnel expenses compared with the same period of the previous year as a result of a change in the estimated liability for early retirement incentives was partially offset by the impact of the transfer of operations noted above under revenues.

Operating income in the first nine months of 2012 showed a loss of €1 million, a deterioration of €24 million compared with the same period of 2011, taking account of an increase of €6 million in depreciation, amortization and impairment losses, mainly in association with the transfer of ICT services in Spain.

Capital expenditure

Capital expenditure in the first nine months of 2012 amounted to €101 million, a rise of €71 million compared with the same period of the previous year. Investments mainly regarded the acquisition of mineral interests by the Upstream Gas function.

Significant events in the 3rd Quarter of 2012

Agreement with consumer associations for extraordinary grant to households affected by snow emergency

On July 11, 2012, Enel and the consumer associations signed an agreement providing for an extraordinary grant for households that suffered hardship as a result of the exceptionally severe snow storm in February this year. As part of its corporate social responsibility commitment, Enel agreed with the consumer associations to make a special payment for the hardship caused by service interruptions of more than three and a half days, in addition to the measures provided for in the Authority for Electricity and Gas (the Authority) Resolution ARG/elt no. 198/11. The grant, which varies in relation to the duration of the interruption, amounts to €90 for each additional 24 hours subsequent to the three and a half day threshold. It supplements the indemnity of €300 already provided for in the Authority resolution, up to a maximum of €650.

Regulatory developments involving electricity distribution in Argentina

The regulation of the electricity industry in Argentina is causing a mismatch between revenues and costs, as regards both electricity generation and electricity distribution, with an adverse impact on the financial stability of the electric companies in that country. Accordingly, at June 30, 2012, a number of Group companies in Argentina delayed compliance with requirement to settle a number of debts that had fallen due. In response, on July 12, 2012, the national electricity regulator in Argentina (ENRE) notified Edesur that it had appointed a commissioner for a period of 45 days (extendable) to inspect and verify all acts of ordinary administration in the distribution of electricity by Edesur. That appointment does not cause the Group to lose control over that company. On July 20, 2012, Edesur appealed the appointment. On September 14, 2012, the appointment was extended a further 45 days, with additional extensions authorized if required.

Grant for Caney River wind farm

On July 20, 2012, Enel Green Power North America received a $99 million grant from the US Treasury Department under Section 1603 of the American Recovery and Reinvestment Act of 2009 to build the Caney River wind farm in Kansas.

Enel and the City of Bologna sign agreement for "Smart Cities" initiative

On July 20, 2012, the mayor of Bologna and Enel signed a protocol of understanding for the European "Smart Cities" initiative, which will make Bologna an eco-sustainable city. The "Smart Cities" initiative, supported by the European Union and involving cities that have signed the Covenant of Mayors, is part of the European Industrial Initiatives and is intended to create the conditions and technologies to build sustainable cities that combine environmental protection, energy efficiency and economic sustainability in a single urban model.

Corporate rationalization in Latin America

On July 25, 2012, the Board of Directors of Enersis – a Chilean company controlled by Endesa through its wholly-owned subsidiary Endesa Latinoamérica, which holds a direct interest of 60.6% in the capital of Enersis – called an extraordinary shareholders' meeting for September 13, 2012 to approve a capital increase of up to the equivalent of $8,020 million, to be subscribed in cash and/or in kind. Specifically, with regard to the portion of the capital increase that the Group would subscribe, the transaction calls for Endesa Latinoamérica to contribute its interests in a number of Latin American companies operating in the electricity sector (in Brazil, Colombia, Peru, Chile and Argentina, in most of which Enersis already holds a direct stake), which have been appraised by an independent expert, who submitted his report to the Board of Directors of Enersis on July 25, 2012.

Subsequently, based on observations made by the Chilean stock market regulator, the Board of Directors of Enersis decided to postpone the shareholders' meeting to a yet-to-be-determined date. In the meantime, the Board has taken steps to complete the required formalities for the transaction and has appointed two independent experts to determine the fairest price for the shares to be transferred.

Enel and EIB agree on €380 million in financing for investment in Enel Distribuzione's network

On July 25, 2012, Enel Distribuzione signed an agreement with the European Investment Bank (EIB) for a €380 million loan aimed at covering a portion of its investments relating to efficiency improvements in the Italian electricity network provided for in Enel Distribuzione's 2012-2014 business plan. The investments financed by the loan are intended to upgrade the national distribution network, with more than 37% of the spending allocated for works in southern Italy. The initiatives will enable the connection of distributed renewable generation plants to the network and improve service quality, with a reduction of the duration and number of interruptions per customer. The 20-year financing agreement (maturing in 2032) has a 5-year grace period (until 2018). The funds will be disbursed by the end of 2012 and the loan is secured by a Parent Company guarantee provided by Enel SpA.

Bond issue totaling €1 billion placed on the European market

On September 4, 2012, Enel SpA, acting through its subsidiary Enel Finance International NV, placed a bond issue totaling €1 billion for institutional investors on the European market. The bond was issued within the framework of the Global Medium Term Notes program and in accordance with the resolution adopted by Enel's Board of Directors on November 9, 2011.
The transaction, led by a syndicate of banks with BNP Paribas, Citigroup, Crédit Agricole CIB, HSBC, JP Morgan and Morgan Stanley acting as global coordinators and Banca IMI, Mitsubishi UFJ Securities, Mediobanca, Mizuho International plc, NATIXIS and UniCredit Bank acting as joint bookrunners, generated demand of about €5.7 billion and is structured as a fixed rate 4.875% bond due March 11, 2020 (guaranteed by Enel SpA).

Board approved new bond issues of up to €5 billion

On September 11, 2012, the Board of Directors of Enel approved the issue of one or more bonds by December 31, 2013, for a total of up to €5 billion. The issues form 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 bonds could be placed with institutional or retail investors, depending upon the opportunities presented by the market. The bonds may be issued directly by Enel 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. At the same time, the Board of Directors also revoked its resolution of November 9, 2011, authorizing the issue of one or more bonds by December 31, 2012. The revocation did not affect the validity and the effects of the issues already carried out and the guarantees granted in execution of that resolution.

Enel and CNR join forces for innovation

On September 25, 2012, Enel and the Italian National Research Council (CNR) signed a framework agreement for the promotion of joint initiatives in research and innovation. The collaborative effort focuses on issues of common interest relating to the use of primary resources as well as the generation and distribution of electricity to end users, in order to promote the efficient use of electricity. The collaborative activities provided for under the Enel-CNR agreement envisage: the identification of developments in technology scenarios, the analysis of that evolution, the specification of joint research priorities and the promotion of a culture of energy around the country. A management committee composed of six members will be established. The committee will be in charge of identifying research areas, lines of implementation and the specific issues to be investigated, with the aim of optimizing the expected results and financial resources available at the national, EU and international level.

Agreement on innovation in the Province of Bolzano

On September 29, 2012, Enel Green Power, the Department of Innovation, Research, Development and Cooperatives of the Autonomous Province of Bolzano and TIS Innovation Park signed a three-year memorandum of understanding to promote technological innovation in power generation from renewables. The agreement is intended to stimulate the development, testing and dissemination of innovative technologies throughout the Province of Bolzano thanks to the expertise of Enel Green Power and TIS, an innovation hub where successful business experiences join forces with the expertise of three university centers of excellence: those of Trento, Bolzano and Innsbruck. The three parties will cooperate in carrying out training, applied research and consultancy programs for the introduction and development of know-how in the field of innovative technologies in the Autonomous Province of Bolzano, with regard, among other things, to small hydro plants and biomass generation facilities, distributed micro-generation, storage, as well as the creation, design and operation of demo programs and the development of energy islands and isolated systems.

Reference scenario

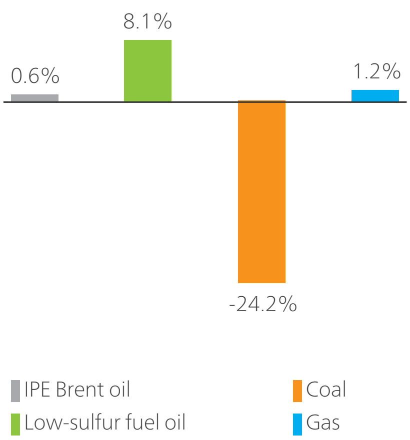
Developments in the main market indicators

	First nine months	
	2012	2011
Market indicators		
Average dollar/euro exchange rate	1.281	1.406
Three-month Euribor (average for the period)	0.70%	1.36%
Average IPE brent oil price ($/bbl)	112.2	111.5
Average price of low-sulfur fuel oil ($/t) (1)	703.3	650.7
Average price of coal ($/t CIF ARA) (2)	93.9	123.8
Average price of gas (Gbpence/therm) (3)	57.9	57.2

(1) Platt's CIF Med index.
(2) API#2 index.
(3) Belgium Zeebrugge index.

During the period, money markets were heavily affected by the crisis that has hit the more mature economies and by the actions undertaken by the governments and central banks of those countries in an attempt to stimulate an economic recovery. More specifically, in the first nine months of 2012, Euribor declined in the wake of the additional rate cuts carried out by the European Central Bank in order to stimulate investment, while the euro/dollar exchange rate, although fluctuating, also trended downwards in reflection of the difficulties faced by the European economy.

Change in average fuel prices in the first nine months 2012 compared with the first nine months 2011



After the general decline reported in the last few months of 2011 (a year in which commodity prices rose significantly), starting from February and lasting throughout the first half of 2012, energy commodity prices once again rose, with the lone exception of coal, the price for which fell over the period. The rise in prices began to slow somewhat in the 3rd Quarter of 2012.

Electricity markets

Electricity demand

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
83,636	86,008	(2,372)	-2.8%	Italy	245,680	251,526	(5,846)	-2.3%
63,164	64,354	(1,190)	-1.8%	Spain	190,872	192,191	(1,319)	-0.7%
171,465	169,494	1,971	1.2%	Russia	559,875	551,560	8,315	1.5%
6,708	6,585	123	1.9%	Slovakia	21,224	21,169	55	0.3%
110,724	108,723	2,001	1.8%	Brazil	334,077	323,030	11,047	3.4%
11,417	10,795	622	5.8%	Chile	34,529	32,486	2,043	6.3%
15,233	14,636	597	4.1%	Colombia	44,355	42,600	1,755	4.1%

Source: National TSOs.

In the 3rd Quarter of 2012, electricity demand diminished in Europe, particularly in the more mature economies. Elsewhere, the Group registered moderate growth in Russia (up 1.2%) and Slovakia (up 1.9%), while in the Latin American countries, and in particular Brazil, Chile and Colombia, demand rose at a rapid pace in the 3rd Quarter of 2012 (ranging from 1.8% in Brazil to 5.8% in Chile).

In the first nine months of 2012, demand fell by 2.3% in Italy and by 0.7% in Spain, while it expanded in Russia (up 1.5%) and in Slovakia (up 0.3%). The strong upward trend seen in Latin America since the start of the year continued (up 3.4% in Brazil, 6.3% in Chile and 4.1% in Colombia).

Electricity prices

	Average baseload price in the first nine months of 2012 (€/MWh)	Change in baseload price First nine months of 2012 - First nine months of 2011	**Average peakload price in the first nine months of 2012 (€/MWh)**	Change in peakload price First nine months of 2012 - First nine months of 2011
Italy	78.8	12.6%	88.1	11.4%
Spain	48.6	-1.2%	53.6	1.5%
Russia	23.6	-0.6%	27.1	-0.9%
Slovakia	43.3	-15.6%	43.2	n.a.
Brazil	45.1	293.0%	161.9	295.3%
Chile	150.2	7.7%	325.7	-1.2%
Colombia	36.1	19.7%	124.4	20.8%

The rapid increase in commodity prices was the main driver of the rise in spot energy prices in Italy (up 12.6%). In Spain, that impact was dampened (with a decrease of 1.2%) by the greater effect that the good performance of renewable energy resources had on the market. Baseload prices were down slightly in Russia and considerably so in Slovakia (down 0.6% and down 15.6%, respectively), where the price trend reflected the weakness in prices in the nearby German market. Chile, Colombia and Brazil also saw baseload prices rise (up 7.7%, 19.7%, and 293%, respectively). Peakload prices also rose in Brazil and Colombia, but fell in Chile (up 295.3% in Brazil, up 20.8% in Colombia, down 1.2% in Chile). The sharp rise in Brazil was attributable to better water conditions in the first nine months of 2011.

Italy

Domestic electricity generation and demand

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
				Net electricity generation:				
54,546	56,865	(2,319)	-4.1%	- thermal	157,631	164,778	(7,147)	-4.3%
11,701	12,670	(969)	-7.6%	- hydroelectric	31,512	37,599	(6,087)	-16.2%
2,400	1,868	532	28.5%	- wind	9,092	6,628	2,464	37.2%
1,314	1,317	(3)	-0.2%	- geothermal	3,930	3,981	(51)	-1.3%
6,118	4,309	1,809	42.0%	- photovoltaic	15,379	8,040	7,339	91.3%
76,079	**77,029**	**(950)**	**-1.2%**	**Total net electricity generation**	**217,544**	**221,026**	**(3,482)**	**-1.6%**
8,243	9,538	(1,295)	-13.6%	Net electricity imports	30,175	32,290	(2,115)	-6.6%
84,322	**86,567**	**(2,245)**	**-2.6%**	**Electricity delivered to the network**	**247,719**	**253,316**	**(5,597)**	**-2.2%**
(686)	(559)	(127)	-22.7%	Consumption for pumping	(2,039)	(1,790)	(249)	-13.9%
83,636	**86,008**	**(2,372)**	**-2.8%**	**Electricity demand**	**245,680**	**251,526**	**(5,846)**	**-2.3%**

Source: Terna - Rete Elettrica Nazionale (September 2012 final monthly report).

Domestic *electricity demand* in the first nine months of 2012 amounted to 245.7 TWh (83.6 TWh in the 3rd Quarter of 2012), a decrease of 2.3% from the same period of 2011. Of total electricity demand in the first nine months, 87.7% was met by net domestic electricity generation for consumption (87.2% in the first nine months of 2011), with the remaining 12.3% being met by net electricity imports (12.8% in the first nine months of 2011).

Net electricity imports in the first nine months of 2012 decreased by 2.1 TWh (down 1.3 TWh in the 3rd Quarter) mainly as a result of the electricity price differential between the Italian market and those in foreign countries.

Net electricity generation in the first nine months of 2012 decreased by 1.6% or 3.5 TWh to 217.5 TWh (76.1 TWh in the 3rd Quarter of 2012). More specifically, the decline in hydroelectric generation (down 6.1 TWh), attributable to poorer water availability conditions, was more than offset by the increase in photovoltaic generation (up 7.3 TWh) and wind generation (up 2.5 TWh). These factors, in conjunction with the decrease in electricity demand, led to a reduction in thermal generation (down 7.1 TWh). A similar pattern was seen in the 3rd Quarter of 2012.

Spain

Electricity generation and demand in the peninsular market

3rd Quarter				Millions of kWh	First nine months			
2012	2011	Change			**2012**	2011	Change	
				Gross electricity generation - ordinary regime:				
24,194	27,852	(3,658)	-13.1%	- thermal	71,700	70,711	989	1.4%
16,605	15,838	767	4.8%	- nuclear	46,951	43,171	3,780	8.8%
4,021	3,909	112	2.9%	- hydroelectric	13,750	22,257	(8,507)	-38.2%
44,820	**47,599**	**(2,779)**	**-5.8%**	**Total gross electricity generation - ordinary regime**	**132,401**	**136,139**	**(3,738)**	**-2.7%**
(2,009)	(2,047)	38	-1.9%	Consumption for auxiliary services	(5,976)	(5,359)	(617)	11.5%
23,961	20,550	3,411	16.6%	Electricity generation – special regime	76,337	68,260	8,077	11.8%
66,772	**66,102**	**670**	**1.0%**	**Net electricity generation**	**202,762**	**199,040**	**3,722**	**1.9%**
(2,500)	(1,217)	(1,283)	105.4%	Net exports	(8,212)	(4,663)	(3,549)	76.1%
(1,108)	(531)	(577)	108.7%	Consumption for pumping	(3,678)	(2,186)	(1,492)	68.3%
63,164	**64,354**	**(1,190)**	**-1.8%**	**Electricity demand**	**190,872**	**192,191**	**(1,319)**	**-0.7%**

Source: Red Eléctrica de España (*Balance eléctrico diario peninsular* - September 2012 report). Volumes in the first nine months of 2011 are updated to June 13, 2012.

Electricity demand in the peninsular market in the first nine months of 2012 was down 0.7% compared with that for the same period of 2011 (down 1.8% in the 3rd Quarter of 2012), amounting to 190.9 TWh (63.2 TWh in the 3rd Quarter of 2012). Demand was entirely met by net domestic generation for consumption.

Net exports in the first nine months of 2012 were up 76.1% compared with the same period of 2011. The rise was essentially attributable to the increase in the 3rd Quarter of 2012 (up 105.4%).

Net electricity generation in the first nine months of 2012 rose by 1.9% (up 3.7 TWh), essentially due to greater nuclear output (up 8.8%), greater thermal generation (up 1.4%) and higher output under the special regime (up 11.8%). These factors were only partially offset by lower hydroelectric generation (down 38.2%) owing to the poorer water conditions experienced compared with the same period of the previous year.

Developments in the 3rd Quarter of 2012 were similar, with the exception of thermal generation, which fell by 13.1%, and hydroelectric generation, which rose by 2.9%.

Natural gas markets

Gas demand

3rd Quarter				Billions of m^3	First nine months			
2012	2011	Change			**2012**	2011	Change	
13.1	13.7	(0.6)	-4.4%	Italy	54.4	55.9	(1.5)	-2.7%
6.5	7.1	(0.6)	-8.5%	Spain	22.9	23.8	(0.9)	-3.8%

In the 3rd Quarter of 2012, demand for natural gas in Italy and Spain declined compared with the same period of 2011. The same trend was also registered in the first nine months of the year as a whole. The decline is mainly attributable to the adverse economic climate and the growing use of renewable energy.

Italy

Domestic gas demand

3rd Quarter				Billions of m^3	First nine months			
2012	2011	Change			**2012**	2011	Change	
2.0	2.2	(0.2)	-9.1%	Residential and civil	21.1	20.5	0.6	2.9%
4.0	3.7	0.3	8.1%	Industrial and services	12.6	12.2	0.4	3.3%
6.6	7.2	(0.6)	-8.3%	Thermal generation	19.1	21.4	(2.3)	-10.7%
0.5	0.6	(0.1)	-16.7%	Other (1)	1.6	1.8	(0.2)	-11.1%
13.1	**13.7**	**(0.6)**	**-4.4%**	**Total**	**54.4**	**55.9**	**(1.5)**	**-2.7%**

(1) Includes other consumption and losses.
Source: Enel based on data from the Ministry for Economic Development and Snam Rete Gas.

Domestic demand for natural gas in the first nine months 2012 amounted to 54.4 billion cubic meters, a decrease of 2.7% compared with the same period of the previous year.
The contraction in consumption for thermal generation, essentially the result of lower generation volumes, was only partially offset by an increase in consumption for domestic and civil uses, attributable to colder weather in the first few months of 2012. A similar trend was reported in the 3rd Quarter 2012, with the exception of a decline in consumption for domestic and civil uses.

Regulatory and rate issues

Compared with the consolidated financial statements at December 31, 2011, which readers are invited to consult for a more detailed discussion of developments, the following section reports the main changes in the first nine months of 2012 with regard to regulatory and rate issues in the countries in which the Group operates.

The European regulatory framework

Proceedings of the European Commission concerning regulated prices

On February 27, 2012, the European Commission announced the closure of the infringement proceeding opened against Italy, essentially accepting the Italian position concerning the fully compatibility of the Single Buyer and enhanced protection systems with European law. The proceeding was opened in April 2011, when the Commission sent reasoned opinions to Italy, Poland and Romania calling on them to bring their national legislation on regulated end-user energy prices into line with EU rules.

Proposal for an Energy Efficiency Directive

On June 14, 2012, the European Parliament and the European Council reached a political agreement on the Energy Efficiency Directive. In brief:

> national targets remain indicative only. They will be reviewed in 2014 in relation to a binding European target for 2020;

> operators will be required to achieve savings equal to 1.5% of annual energy sales over the three years prior to the implementation of the Directive. That requirement may be reduced at the individual Member State level with the introduction of equivalent savings measures for final consumption;

> an obligation to renovate government buildings is established;

> measures for the promotion of technologies for heating and cooling, including cogeneration, have been introduced;

> customer information requirements for distributors and marketers have been introduced.

On September 11, 2012, the European Parliament meeting in plenary session approved the definitive text of the Energy Efficiency Directive, which the Council approved on October 4, 2012. The directive has yet to be published in the *Official Journal of the European Union*.

Emissions trading: start of the Single European Union Registry and proposals for amendment of the scheme

On June 20, 2012 the transition to the Single European Union Registry was completed. The Single Registry replaces the national registers in accounting for emissions allowances. Additional computerized systems (rolled out on October 2, 2012) have made it possible to conduct auctions and speed up transactions among known counterparties. The change-over transition to the Single Registry and the new measures that have been implemented enhance the security and transparency of the emissions allowances system on the European market, reducing the risk of fraud.

In order to cope with excess supply on the carbon market and to sustain expectation of a structural revision of the scheme, the European Commission recently published:

> a proposal to backload part of the auction volumes expected for 2013-2015 to end of phase 3;

> a legislative clarification to support such a move;

> a Staff Working Document assessing the excess supply, proposing a range for the backloaded volumes of between 400 million and 1,200 million EUAs.

According to the Commission's timetable, the sale of phase 3 EUAs will begin on November 13, 2012 for 25 member states and for Norway and Iceland, with Ger-

many and the United Kingdom electing to use their own opt-out platforms.
Formal publication of the backloading proposal by the European Commission is expected for November 14, 2012, and its adoption using the comitology process and its implementation is scheduled as from the 2nd Quarter of 2013. Implementation may be dependent upon a modification of the ETS Directive through the ordinary procedure (formerly the co-decision procedure), in order to formally authorize the Commission to take such measures concerning the auction calendar.
Alongside the backloading proposal and based on the Staff Working Document published on July 25, 2012, the Commission will publish the Carbon Market Report on November 14, 2012, presenting a short-list of options for the structural reform of the ETS scheme to be discussed with the stakeholders.

The Italian regulatory framework

Law 134/2012

Decree Law 83 of June 22, 2012, ratified with Law 134 of August 7, 2012, was introduced to regulate the auction process in the hydroelectric sector. Specifically, it establishes:

> the deadline for calling tenders is set at 5 years prior to the expiration of the concession, while for concessions that have already expired or that are set to expire by December 31, 2017 (and to which the 5-year deadline cannot technically apply), the tenders must be called within two years of the entry into force of a decree by the Ministry for Economic Development establishing the parameters, terms and conditions of the auction process;
> concessions are awarded for a period that is commensurate with the scale of the investments required, ranging between 20 and 30 years;
> to ensure continuity of operations, the call for tender must provide for the transfer of ownership of the business unit operating under the concession from the outgoing concession holder to the new concession holder;
> the new concession holder must pay a fee to the outgoing concession holder for the transfer of the business unit that is calculated based on the following criteria: (I) for equipment for intake and control, penstocks and tailrace canals, the outgoing concession holder shall receive the net value of the assets calculated at historical cost adjusted for ordinary wear and tear; (II) for other equipment, the replacement cost method (the market value if purchased new adjusted for ordinary wear and tear) shall apply.

To ensure the standardization of rules for hydroelectric generation across Italy and equal treatment of operators, Decree 83/2012 also requires that the Ministry for Economic Development issue a decree establishing the general criteria to be used by the regions in determining the maximum concession fees for hydroelectric use rights.

Sales

Gas

Retail market

Following the proceeding initiated in 2011 for the revision of the QE component, with Resolution no. 263/12, the Authority for Electricity and Gas (the Authority) revised the formula for updating the component as from October 2012, reducing its value by about 1%.

Infrastructure and Networks

Electricity

Distribution and metering

With Resolution no. 157/12, the Authority published the reference rates for distribution activities to be used in determining, for each operator, the level of revenues to be recognized to cover grid infrastructure costs. The new reference rates are set in a manner that ensures the operator will be neutral with respect to unexpected changes in the volumes of power distributed.
With the same Resolution, the Authority also specified the residual net value at December 31, 2010, attributable to the long-term charge in respect of the Electrical Worker Pension Fund (FPE) and the associated procedures for reimbursement over time.

The technical report for this resolution, published on the Authority's website at the end of September 2012, further clarified the nature of the reimbursement in respect of the FPE, specifying that the residual net value of the long-term charge in respect of the pension fund, in addition to be precisely calculated and recognized based upon information provided on each company, contains a rate component of a financial nature designed to permit companies to recover costs incurred as a result of the elimination of the pension fund.

Finally, in May 2012, the Authority, with Resolution no. 175, reduced the standard level of losses at medium and low voltage recognized for generators as from July 1, 2012.

Generation and Energy Management

Gas

Wholesale market

As from April 2012, the Authority, following the start of daily auctions for the release of contracted but unused capacity on the TAG (the gas interconnector between Austria and Italy through the Tarvisio entry point), introduced mechanisms to foster the transit of spot gas through the entry point.

Iberia and Latin America

Spain

Real Decreto Ley no. 12/2012

Real Decreto Ley no. 12/2012 introduced a number of measures governing the Spanish tax regime for corporate income with effect from March 31, 2012. In brief:

> a limit has been placed on the deductibility of net interest expense, equal to 30% of the gross operating margin adjusted in accordance with the new tax regulations. Interest expense that cannot be deducted in a specific tax period can be deducted over the subsequent 18 years, as long as the percentage of gross operating margin available is sufficient;
> so-called "depreciation discretion" (i.e. the option of depreciating the entire cost of capital expenditure independently of the recognition of depreciation charges as determined for statutory reporting purposes) has been eliminated for all capital expenditure carried out after April 1, 2012;
> for 2012-2013, a requirement to make tax payments on account in the amount of 8% of statutory net income for the year has been introduced.

The impact of the above tax measures is expected to be mainly financial in nature, bearing in mind the deferred taxation generated by some of the measures, and are not expected to impact the performance of the Group's Spanish companies.

Real Decreto Ley no. 13/2012

On March 30, 2012, the Council of Ministers approved a *Real Decreto Ley* (RDL no. 13/2012), which in addition to transposing the European measures of the "Third Energy Package" also introduces measures to reduce the costs of the electricity and gas system and handle the rate deficit. The decree establishes a set of measures to ensure compliance with the deficit ceiling established for 2012 (*Real Decreto Ley* no. 6/2010 and no. 14/2010) and the adjustment of rates to reflect the costs of regulated activities as from January 1, 2013. Among the main changes for 2012, the decree sets out reductions for the following regulatory items:

> the remuneration of electricity transmission;
> the remuneration of electricity distribution: two new criteria were introduced in the method for calculating the remuneration of new investment and existing depreciated assets. In addition, the remuneration of commercial activities and that of small distributors were reduced;
> the capacity payment system: the incentive for investment was cut by 10%, from €26,000/MW to €23,400/MW, while the incentive for environmental investment was reduced from €8,750/MW to 7,875/MW;
> the remuneration of island and extra-peninsular generation: within two months of the entry into force of the decree, the remuneration mechanism for generation plants in the areas being metered must be reviewed by the competent ministry. That review has not yet taken place;
> the remuneration of the system operator and the regulator (CNE);
> subsidies for domestic coal: the maximum volume of

schedulable electricity generated from domestic coal, and thus the corresponding extra cost for the system, is reduced by 10%;

> compensation for interruptible customers: compensation for interruptible energy intensive customers is reduced by 10%.

In addition, provisions of the decree also regard the fund of the *Instituto para la Diversificación y Ahorro de la Energía* (IDAE) and the *Tarifa de Ultimo Recurso* (TUR). With regard to the IDAE, the funds raised by the electrical system to finance energy efficiency measures, which to date have not been used, will be employed to reduce the rate deficit. As regards the TUR, the level of rates for the 1st Quarter of 2012 have been extended on an exceptional basis to the 2nd Quarter of 2012, pending the rate revision, which will have retroactive effect as from April 1, 2012, and – according to the government – will result in an overall increase of about 7%.

Real Decreto Ley no. 20/2012

On July 14, 2012, *Real Decreto Ley* no. 20/2012 was published. With the decree, the government adopted a series of measures to ensure budget stability and promote competitiveness, as well as measures to reduce the costs of the electrical system and resolve the rate deficit issue. The main measures regard:

> provisions concerning the revision of remuneration for generation in the island and extra-peninsular electrical system (SEIE). Pending the revision provided for under *Real Decreto Ley* no. 13/2012 and with retroactive effect as from January 1, 2012, the rate of remuneration of capital expenditure was reduced, with the spread over 10-year government securities being cut from 300 to 200 basis points, and the unit value of fixed Operations & Maintenance costs paid annually was reduced by 10%. Finally, remuneration of certain other costs is eliminated;

> a requirement to include any local taxes on electricity supply in access fees and the TUR, so as to eliminate the transfer of those taxes to society as a whole, levying the corresponding extra costs on the local consumers affected;

> a modification of the remuneration of capital expenditure for the transmission grid, which will only regard assets in service that have not yet been depreciated;

> an increase of 65 basis points in the interest rate paid for financing the deficit generated in 2006;

> the abolition of the quarterly revision of access fees, which will once again be updated on an annual basis;

> the granting of powers to the Minister for Energy to establish progressive mechanisms for the application of access fees and the TUR.

Retail market. TUR and the social bonus

On February 7, 2012, the *Tribunal Supremo* granted the appeal filed by Iberdrola arguing that the cost of the social bonus should not be borne by electricity companies. In applying the court's decision, ministerial order IET/843/2012, issued on April 25, 2012, modified the settlement system and determined that the mechanism would be financed through the access fee.

Antitrust proceedings

On February 22, 2012, the *Comisión Nacional de la Competencia* (CNC) levied two fines on Endesa Distribución (EDE) for abuse of a dominant position totaling about €23 million. The penalty has been appealed by EDE. The court granted the company a suspension of payment of the fines.

Bill concerning fiscal measures for the sustainability of the electricity system

On September 14, 2012, the Spanish government approved a bill aimed at ensuring the sustainability of the electricity system and at addressing the problem of the rate deficit. The government's goal is to obtain parliament's approval of the measure by the end of 2012, with the measure coming into force on January 1, 2013.

The bill contains fiscal measures designed to generate supplementary revenues and reduce the existing deficit, while also containing measures to make the system economically and environmentally sustainable. The main provisions are the following:

> as regards nuclear technology, the introduction of a tax on generation and on the storage of fuel and residual by-products of nuclear power generation, with a view to standardizing and re-organizing existing regional taxes;

> the introduction of a fee for using continental waters in hydroelectric generation equal to 22% of the revenues generated;

> the introduction of environmental taxes ("*centesimo*

verde") on the consumption of natural gas, coal, fuel oil and diesel fuel;
> the introduction of a general tax on electricity generated under the ordinary and special regimes equal to 6% of total revenues;
> suspension of incentives for renewable energy generation using fossil fuels, with the exception of biomass;
> the transfer of the annual amount of a portion of the rate deficit (principal and interest) to the *Presupuesto General del Estado* (annual state budget);
> the allocation of the revenues from the CO_2 auctions for the third phase of the ETS to deficit reduction.

Portugal

Suspension of capacity remuneration mechanism

On May 14, 2012, with *Portaria* no. 139/2012, the Portuguese government temporarily suspended (for 2013-2014) the capacity remuneration mechanism. A new law currently under discussion will determine the future remuneration of generation capacity in Portugal.

Portaria no. 251/2012 – New capacity remuneration mechanism

On August 20, 2012, with the issuance of *Portaria* no. 251/2012, the Portuguese government revised the generation capacity remuneration mechanism. In line with the existing system, the mechanism provides for one capacity payment for investment in new hydroelectric capacity and another payment to keep the existing plants available. In both cases, in order to take advantage of the new remuneration mechanism, plants must meet the following conditions:
> capacity equal to or greater than 30 MW;
> sale of electricity generated on the market or through bilateral contracts;
> does not receive any other forms of remuneration of production costs (other incentives).

The main changes introduced by the new mechanism regard the revision of calculation methodologies, the ineligibility of thermal plants for the incentive for investment in new capacity and the reduction in the total amount of the remuneration. With respect to the capacity payment aimed at stimulating investment in new hydroelectric capacity, the baseline payment varies by plant in an amount ranging from a maximum of €22,000/MW/year (Baixo Sabor plant) to a minimum of €11,000/MW/year (Alvito plant). As regards remuneration for plant availability, the amount was reduced from €20,000 to €6,000/MW/year. According to the government, this new measure will cut the total cost of the mechanism through 2020 from €693 million to €252 million, thereby saving the system €443 million.

Chile

Law no. 20.600

On June 28, 2012, Law no. 20.600 establishing environmental courts was published in the *Diario Oficial*. These bodies will have special jurisdiction over environmental disputes, helping to reduce environmental conflict and, therefore, ensuring greater security for infrastructure development projects.

Carretera Eléctrica

On August 30, the president of Chile signed the bill on the *Carretera Eléctrica*, subsequently presented to Parliament on September 4, 2012. The proposed law establishes general standards for the development of the network in terms of the role of public entities and coordination with the private sector.

International

France

Conditional approval of state aid for regulated rates

On June 12, 2012, the European Commission approved the state aid contained in regulated rates for large and medium-sized consumers, subject to compliance with a series of conditions concerning the reform of the French electricity market, including an annual review of standard tariffs (yellow and green tariffs and their elimination by the end of 2015). The approval closed the proceeding opened by the Commission on June 13, 2007.

Limits on increases in gas and electricity rates

On July 9, 2012, The Ministry for Ecology, Sustainable Development and Energy sent the regulator (the CRE) a draft decree that would limit increases in gas and electricity rates to 2%, essentially the planned inflation rate. Despite the opposition of the regulator, in July 2012 the Ministry approved the proposal and published the related decree.

Romania

Transposition of the Third Energy Package

In June 2012 the Romanian government approved a law transposing the Third Energy Package, published in that country's official journal on July 16, 2012. The main measures regard the rules governing unbundling and the choice of the independent system operator (ISO) for the national transmission grid operator, the decision to gradually eliminate regulated prices for end users of gas and electricity in order to enhance competition in both energy sectors and the introduction of new measures to protect consumers and ensure the security of supplies.

In the same month, again as part of the steps to transpose the Third Package, the government also approved a law reforming the rules governing the independence and powers of the energy regulator (ANRE). The measures increase the independence and oversight powers of the regulator in energy markets. In this case, the approval process of the Romanian parliament must be completed before the law can be promulgated.

Slovakia

Transposition of the Third Energy Package

On June 1, 2012, the Slovakian government sent parliament two laws transposing the Third Energy Package, which had been approved on May 23. The most significant measures concerned the choice of ownership unbundling model for the national transmission grid operator and a new definition of vulnerable customers (i.e., financially disadvantaged customers). Both laws entered into force in September 2012.

Decree no. 184/2012

On June 28, 2012, the energy regulator (URSO) approved Decree no. 184/2012, which introduces measures on governing prices in the Slovakian electricity sector and amends Decrees no. 225/2011 and no. 438/2011. One of the amendments establishes that as from 2013, the first year of the third phase of the European Emissions Trading Scheme (ETS), the Nováky generation plant (classified as a general economic interest facility) will be reimbursed for no more than 50% of costs incurred for the purchase of CO_2 emissions allowances.

Special Levy Act no. 235/2012

On July 26, 2012, the Slovakian parliament approved the Special Levy Act introducing a special tax whose proceeds are to be used to reduce the state budget deficit. The tax applies to all companies that derive more than 50% of their revenues from a series of regulated sectors, including the energy sector. The tax is set at a rate of 4.36% of net profit generated through 2013.

Russia

Liberalization of the retail market

On June 4, 2012, Decree no. 442 was published. The decree amends the pricing rules for the sales market and simplifies the procedures for changing suppliers by end users (switching). More specifically:

> the procedures for calculating pricing and volumes for sourcing capacity on the wholesale and retail markets were aligned;

> end users will pay the actual grid costs incurred by suppliers;

> the remuneration of regulated suppliers (guarantee suppliers) may differ by the level of power available to individual customers;

> new principles for the competitive award of guarantee supplier licenses were introduced;

> regulator control of the financial condition of guarantee suppliers was enhanced;

> finally, as regards the opening of the market to competition, a number of measures hindering switching were eliminated.

Renewable Energy

Italy

Green certificates and comprehensive rates

In implementation of Legislative Decree 28/2011, the Ministry for Economic Development introduced new incentive mechanisms for generation plants powered by renewable resources other than photovoltaic systems that come into service as from January 1, 2013.

The maximum amount of incentives that can be disbursed was set at €5.8 billion in the decree. More specifically, small plants will be subsidized using a comprehensive rate mechanism set out in the decree, which will differ by type and size of plant. Larger plants will receive incentives on the basis of an auction system run by the Energy Services Operator (ESO). Plants that already receive incentives through the green certificate system will – as from 2015 – instead receive rates equivalent to the current green certificates.

Energy Account

With a ministerial decree of July 5, 2012, the new Energy Account (the fifth) was introduced. It entered force on August 27 this year, 45 days after the threshold of €6 billion in photovoltaic incentives was reached. The Fifth Energy Account provides for a reduction of 40% in subsidized rates and mandatory entry in semiannual registers with indicative spending limits. The following types of plants may immediately access the incentive rates without registration: small plants, concentrating plants, those with innovative features and other residual categories. The decree also sets a ceiling on total incentives (including those already paid out under the previous Energy Accounts) of €6.7 billion.

Imbalancing payments for non-schedulable plants

The Authority has decided that, starting from January 1, 2013, imbalancing payments shall also be applied to plants powered by non-schedulable renewable resources. Exemptions are provided for in 2013 to enable a gradual transition to the new rules.

Brazil

Resolutions no. 481 and no. 482 of April 17, 2012

On April 17, 2012, ANEEL (*Agência Nacional de Energia Elétrica*) published a number of resolutions concerning mini and micro solar generation for plants with an installed capacity of less than 1 MW. The resolutions enable customers/generators to benefit from energy consumption credits through a net metering mechanism, allowing them to pay only the difference between what they actually consume and the power generated by their solar plant. The measures also provide for discounts of 80% on distribution and transmission fees for plants in operation by December 31, 2017.

Decree no. 579

On April 11, 2012, the Brazilian president signed Decree no. 579 establishing the terms and conditions for the renewal of concessions in the electricity sector set to expire before 2018 and reducing a number of rate components of a fiscal nature. Specifically with regard to hydroelectric concessions, the decree permits holders of concessions for plants with output of more than 1 MW to apply for a renewal of the concession 60 months before its expiration. Holders of concessions expiring before 2018 were required to decide whether to seek renewal in October 2012.

Chile

Law no. 20.571

On January 19, 2012, the national Congress approved a net metering law under which end users with micro-generation plants powered by unconventional resources can sell any excess power generated. The law was published on March 22, 2012 and will enter force with the publication of the implementing regulations.

Costa Rica

Regulation amending Law no. 7.200

On June 5, 2012, the Regulation amending Law no. 7.200 concerning independent generation was published in the country's official journal. The Regulation, which introduces new competitive mechanisms for renewable energy contracts between private parties and the ICE (*Instituto Costarricense de Electricidad*), essentially permits the participation of private parties in auctions under which renewable energy generators submit offers within a rate bracket set by the regulator.

Mexico

General law on climate change

On June 6, 2012, the Decree introducing climate change measures to facilitate the transition to a "green economy" was published in the country's official journal. The Decree introduces a number of specific measures (including the application of tax incentives for private investment in renewable energy and efficient co-generation) and sets targets for greenhouse gas emissions reductions (30% by 2020 and 50% by 2050), establishing a 35% target for the percentage of renewable energy in the Mexican energy mix to be achieved by 2024.

Romania

Law no. 134/2012 in support of renewable energy

In July 2012, the Romanian parliament published Law no. 134/2012 (the "Approval Law"), amending and replacing the previous law in support of renewable energy (Law no. 220/2008). The main changes are as follows:

- the determination of the mandatory amount to be purchased on a quarterly (rather than an annual) basis by sellers;
- the reduction in the number of green certificates in the case of excessive remuneration of investments. This provision is subject to the approval of the enabling decrees, which are not expected to come into force before January 1, 2015 (with the exception of solar resources, which should come into force on January 1, 2014);
- the indication of the component covering the costs of the green certificates as a separate item in invoices;
- a prohibition on the cumulation of green certificates and European investment funds.

Rules for renewable energy generators in the electricity balancing market

On August 30, 2012, the Romanian regulator (ANRE) approved regulation no. 88/2012 concerning balancing rules for renewable energy generators who receive incentives. Under the regulation, plants powered by renewable resources are defined as dispatching units and, as such, are required to participate in the balancing market.

Outlook

The first nine months of the year were colored by the persistence of adverse economic conditions in the euro area, especially in Italy and Spain, with consequent repercussions on the demand for energy that are expected to continue in the remainder of 2012 and in 2013. By contrast, the markets of eastern Europe, Russia and, above all, Latin America continue to grow. In this context, geographical and technological diversification, the programs to enhance operating efficiency already under way and the optimization of our investments enable us to confirm the full-year targets for 2012 already announced to investors, even considering the negative impact of the changes in the regulatory framework that were adopted in Spain during the course of the year.

Consolidated financial statements

Condensed Consolidated Income Statement

3rd Quarter				Millions of euro	First nine months			
2012	2011	Change			**2012**	2011	Change	
21,207	19,105	2,102	11.0%	Total revenues	61,899	57,496	4,403	7.7%
16,830	14,851	1,979	13.3%	Total costs	49,336	44,431	4,905	11.0%
102	101	1	1.0%	Net income/(charges) from commodity risk management	198	219	(21)	-9.6%
4,479	**4,355**	**124**	**2.8%**	**GROSS OPERATING MARGIN**	**12,761**	**13,284**	**(523)**	**-3.9%**
1,620	1,413	207	14.6%	Depreciation, amortization and impairment losses	4,561	4,270	291	6.8%
2,859	**2,942**	**(83)**	**-2.8%**	**OPERATING INCOME**	**8,200**	**9,014**	**(814)**	**-9.0%**
443	(9)	452	-	Financial income	1,940	1,756	184	10.5%
1,268	919	349	38.0%	Financial expense	4,266	4,094	172	4.2%
(825)	**(928)**	**103**	**-11.1%**	**Total financial income/(expense)**	**(2,326)**	**(2,338)**	**12**	**-0.5%**
20	**15**	**5**	**33.3%**	**Share of income/(expense) from equity investments accounted for using the equity method**	**65**	**78**	**(13)**	**-16.7%**
2.054	**2.029**	**25**	**1.2%**	**INCOME BEFORE TAXES**	**5,939**	**6,754**	**(815)**	**-12.1%**
817	744	73	9.8%	Income taxes	2,310	2,280	30	1.3%
1.237	**1.285**	**(48)**	**-3.7%**	**Net income from continuing operations**	**3,629**	**4,474**	**(845)**	**-18.9%**
-	**-**	**-**	**-**	**Net income from discontinued operations**	**-**	**-**	**-**	**-**
1.237	**1.285**	**(48)**	**-3.7%**	**NET INCOME FOR THE PERIOD (shareholders of the Parent Company and non-controlling interests)**	**3,629**	**4,474**	**(845)**	**-18.9%**
987	940	47	5.0%	Attributable to shareholders of the Parent Company	2,808	3,492	(684)	-19.6%
250	345	(95)	-27.5%	Attributable to non-controlling interests	821	982	(161)	-16.4%
				Earnings attributable to shareholders of the Parent Company per share (euro) [1]	*0.30*	*0.37*	*(0.07)*	*-18.9%*

(1) The Group's diluted earnings per share are equal to earnings per share.

Statement of Consolidated Comprehensive Income

Millions of euro	First nine months	
	2012	2011
Net income for the period (shareholders of the Parent Company and non-controlling interests)	3,629	4,474
Other comprehensive income		
- effective portion of change in the fair value of cash flow hedges	(319)	(139)
- share of income recognized in equity by companies accounted for using the equity method	(4)	(4)
- change in the fair value of financial investments available for sale	(329)	26
- exchange rate differences	468	(1,624)
Income/(Loss) recognized directly in equity	**(184)**	**(1,741)**
Comprehensive income for the period	**3,445**	**2,733**
Attributable to:		
- shareholders of the Parent Company	2,249	2,723
- non-controlling interests	1,196	10

Condensed Consolidated Balance Sheet

Millions of euro

	at September 30, 2012	at December 31, 2011	Change
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	102,532	101,570	962
Goodwill	18,473	18,342	131
Equity investments accounted for using the equity method	1,265	1,085	180
Other non-current assets (1)	13,341	12,842	499
Total	**135,611**	**133,839**	**1,772**
Current assets			
Inventories	3,535	3,148	387
Trade receivables	13,049	11,570	1,479
Cash and cash equivalents	7,143	7,015	128
Other current assets (2)	15,557	13,852	1,705
Total	**39,284**	**35,585**	**3,699**
Assets held for sale	369	381	(12)
TOTAL ASSETS	**175,264**	**169,805**	**5,459**

(1) Of which long-term financial receivables and other securities at September 30, 2012 equal to €4,028 million (€3,496 million at December 31, 2011) and €136 million (€80 million at December 31, 2011), respectively.

(2) Of which short-term portion of long-term financial receivables, short-term financial receivables and other securities at September 30, 2012 equal to €1,953 million (€2,270 million at December 31, 2011), €6,041 million (€5,632 million at December 31, 2011) and €69 million (€52 million at December 31, 2011), respectively.

Millions of euro

	at September 30, 2012	at December 31, 2011	Change
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to the shareholders of the Parent Company	39,534	38,790	744
Non-controlling interests	16,319	15,650	669
Total shareholders' equity	**55,853**	**54,440**	**1,413**
Non-current liabilities			
Long-term loans	56,396	48,703	7,693
Provisions and deferred tax liabilities	22,355	22,336	19
Other non-current liabilities	3,540	3,620	(80)
Total	**82,291**	**74,659**	**7,632**
Current liabilities			
Short-term loans and current portion of long-term loans	9,430	14,471	(5,041)
Trade payables	12,183	12,931	(748)
Other current liabilities	15,459	13,246	2,213
Total	**37,072**	**40,648**	**(3,576)**
Liabilities held for sale	48	58	(10)
TOTAL LIABILITIES	**119,411**	**115,365**	**4,046**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**175,264**	**169,805**	**5,459**

Statement of Changes in Consolidated Shareholders' Equity

	Share capital and reserves attributable to the shareholders of the Parent Company					
Millions of euro	Share capital	Share premium reserve	Legal reserve	Other reserves	Other retained earnings	Reserve from translation of financial statements in currencies other than euro
at January 1, 2011 restated	9,403	5,292	1,881	2,262	14,345	456
Dividends and interim dividends	-	-	-	-	(1,695)	-
Allocation of net income from the previous year	-	-	-	-	3,450	-
Change in scope of consolidation	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	(729)
of which:						
- Income/(Loss) recognized directly in equity	-	-	-	-	-	*(729)*
- Net income/(loss) for the period	-	-	-	-	-	-
at September 30, 2011	9,403	5,292	1,881	2,262	16,100	(273)
at January 1, 2012	9,403	5,292	1,881	2,262	15,831	120
Dividends and interim dividends	-	-	-	-	(1,505)	-
Allocation of net income from the previous year	-	-	-	-	3,208	-
Change in scope of consolidation	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	130
of which:						
- Income/(Loss) recognized directly in equity	-	-	-	-	-	*130*
- Net income/(loss) for the period	-	-	-	-	-	-
at September 30, 2012	**9,403**	**5,292**	**1,881**	**2,262**	**17,534**	**250**

Reserve from measurement of financial instruments	Reserve from disposal of equity interests without loss of control	Reserve from transactions in non-controlling interests	Reserve from equity investments accounted for using equity method	Net income for the period	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	**Total shareholders' equity**
80	796	-	24	3,450	37,989	15,877	**53,866**
-	-	-	-	(940)	(2,635)	(583)	**(3,218)**
-	-	-	-	(3,450)	-	-	**-**
-	-	-	-	-	-	(61)	**(61)**
(36)	-	-	(4)	3,492	2,723	10	**2,733**
(36)	-	-	*(4)*	-	*(769)*	*(972)*	***(1,741)***
-	-	-	-	*3,492*	*3,492*	*982*	***4,474***
44	796	-	20	2,552	38,077	15,243	**53,320**
(49)	749	78	15	3,208	38,790	15,650	**54,440**
-	-	-		-	(1,505)	(557)	**(2,062)**
-	-	-		(3,208)	-	-	**-**
-	-	-		-	-	30	**30**
(685)	-	-	(4)	2,808	2,249	1,196	**3,445**
(685)	-	-	*(4)*	-	*(559)*	*375*	***(184)***
-	-	-	-	*2,808*	*2,808*	*821*	***3,629***
(734)	**749**	**78**	**11**	**2,808**	**39,534**	**16,319**	**55,853**

Condensed Consolidated Statement of Cash Flows

Millions of euro	First nine months		
	2012	2011	Change
Cash flows from operating activities (A)	**5,038**	**4,753**	**285**
Investments in property, plant and equipment and intangible assets	(4,451)	(4,757)	306
Investments in entities (or business units) less cash and cash equivalents acquired	(170)	(52)	(118)
Disposals of entities (or business units) less cash and cash equivalents sold	8	104	(96)
(Increase)/Decrease in other investing activities	132	58	74
Cash flows from (investing)/disinvesting activities (B)	**(4,481)**	**(4,647)**	**166**
Change in net financial debt	1,637	1,582	55
Charges related to sales of equity holdings without loss of control	-	(34)	34
Dividends and interim dividends paid	(2,083)	(2,496)	413
Cash flows from financing activities (C)	**(446)**	**(948)**	**502**
Impact of exchange rate fluctuations on cash and cash equivalents (D)	**30**	**(123)**	**153**
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	**141**	**(965)**	**1,106**
Cash and cash equivalents and short-term securities at beginning of the period (1)	7,072	5,342	1,730
Cash and cash equivalents and short-term securities at the end of the period (2)	7,213	4,377	2,836

(1) Of which cash and cash equivalents equal to €7,015 million at January 1, 2012 (€5,164 million at January 1, 2011), short-term securities equal to €52 million at January 1, 2012 (€95 million at January 1, 2011) and cash and cash equivalents pertaining to "Assets held for sale" in the amount of €5 million at January 1, 2012 (€83 million at January 1, 2011).

(2) Of which cash and cash equivalents equal to €7,143 million at September 30, 2012 (€4,335 million at September 30, 2011), short-term securities equal to €69 million at September 30, 2012 (€42 million at September 30, 2011) and cash and cash equivalents pertaining to "Assets held for sale" in the amount of €1 million at September 30, 2012.

Operating performance and financial position

Group performance

Revenues

3rd Quarter			Millions of euro	First nine months		
2012	2011	Change		**2012**	2011	Change
18,212	17,340	872	Electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies	53,126	50,307	2,819
634	538	96	Gas sold and transported to end users	3,095	2,486	609
-	20	(20)	Remeasurement at fair value after changes in control	5	358	(353)
-	-	-	Gains on disposal of assets	2	77	(75)
2,361	1,207	1,154	Other services, sales and revenues	5,671	4,268	1,403
21,207	**19,105**	**2,102**	**Total**	**61,899**	**57,496**	**4,403**

In the 3rd Quarter of 2012, revenues from **electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies** amounted to €18,212 million, up €872 million compared with the corresponding period of the previous year (up 5.0%). The increase can be attributed to the following factors:

> a €394 million increase in revenues from the sale of electricity to end users related to the increase in revenues on both the regulated market (€187 million) and on the free market (€207 million);

> a €466 million increase in revenues from wholesale electricity sales, mainly related to the greater quantities sold through bilateral agreements entered into by the generation companies, the effects of which were partially offset by the decline in revenues from sales on power exchanges;

> a €30 million increase in revenues from the transport of electricity due to higher revenues from the transport of electricity to end users (€113 million), partially offset by lower revenues from the transport of electricity for other operators (€83 million);

> greater revenues from contributions received from the Electricity Equalization Fund and similar bodies in the amount of €118 million;

> a €136 million decrease in revenues from electricity trading as a result of a fall in volumes handled.

In the first nine months of 2012, the aggregate came to €53,126 million, an increase of €2,819 million compared with the same period of the previous year (up 5.6%). The increase can be attributed to the following factors:

> a €1,009 million increase in revenues from the sale of electricity to end user, attributable to the increase in revenues on both the free market in the amount of €652 million and on the regulated market in the amount of €357 million. In particular, the increase reflects the greater quantities sold and the increase in average sales prices in France, Russia, Slovakia, Romania and Latin America, the effects of which were partially offset by a decline in sales in the other countries in which the Group operates;

> a €1,711 million increase in revenues from wholesale electricity sales, mainly related to the greater volumes of electricity sold;

> a €397 million increase in revenues from the transport of electricity, due essentially to the increase in revenues from the transport of electricity to end users of the Group (€666 million), partially offset by lower revenues from the transport of electricity for other operators (€269 million);

> an increase of €222 million in revenues from contribu-

tions from the Electricity Equalization Fund and similar bodies, essentially attributable to the increase in contributions for extra-peninsular generation in Spain;
> a €520 million decrease in revenues from electricity trading as a result of a fall in volumes handled.

Revenues from **gas sold and transported to end users** in the 3rd Quarter of 2012 amounted to €634 million, an increase of €96 million or 17.8% with respect to the corresponding period of the previous year. For the first nine months of 2012, revenues from gas sold and transported came to €3,095 million, up €609 million or 24.5% compared with the same period of the prior year. The performance for these two periods essentially reflects both the increase in quantities sold (taking account of the acquisition of the customer portfolio for the Madrid metropolitan area in early 2012) and the increase in average sales prices due to the change in the international energy market and the revision of a number of rate components.

The gain from **remeasurement at fair value after changes in control** came to €5 million in the first nine months of 2012 (€358 million in the first nine months of 2011). The gains include €1 million for the remeasurement at fair value of the net assets of Enel Stoccaggi held by the Group prior to acquiring an additional 50% interest, making the company a wholly owned subsidiary, and €4 million related to the acquisition of a further 10% interest in Sociedad Eólica de Los Lances, which also resulted in obtaining full control over the company. In the first nine months of 2011, the gains regarded the adjustment to fair value of the assets and liabilities attributable to the Group (i) remaining after the loss of control of Hydro Dolomiti Enel as a result of the change in corporate governance arrangements (€237 million); and (ii) that were already held prior to acquiring full control of Enel Unión Fenosa Renovables (€76 million), Sociedad Eólica de Andalucía (€23 million, which took place in the 1st Quarter of 2011) and TP – Sociedade Térmica Portuguesa (€22 million).

Gains on disposal of assets in the first nine months of 2012 came to €2 million. In the first nine months of 2011, the total came to €77 million and mainly included gains resulting from the sale to Gas Natural of a portion of the assets of Enel Unión Fenosa Renovables (€44 million), gains on the sales of CAM and Synapsis (€15 million) and gains on the sales of Enel Maritza East 3, Enel Operations Bulgaria and the related holding companies (€12 million).

Revenues from **other sales, services and revenues** in the 3rd Quarter of 2012 came to €2,361 million (€1,207 million for the same quarter of 2011), an increase of €1,154 million or 95.6%. The increase was essentially the result of the following factors:
> a €275 million increase in sales of fuel for trading, including revenues from shipping services, mainly attributable to the greater volumes handled in Italy;
> a €277 million increase in revenues from the sale of goods, due mainly to greater sales of green certificates (€215 million) and photovoltaic modules (€55 million);
> recognition by the Authority for Electricity and Gas (the Authority) (Resolution no. 157/12) of the right to be reimbursed for charges incurred by the Group as a result of the termination of the Electrical Worker Pension Fund (FPE) as from January 1, 2000, in the amount of €615 million.

In the first nine months of 2012, revenues in this aggregate came to €5,671 million, increasing by €1,403 million compared with the same period of the previous year. This change was due mainly to the increase in revenues from the sale of fuel for trading (€831 million), including revenues from shipping services (all essentially related to the greater volumes handled in Italy) and the aforementioned recognition of the right to be reimbursed for the charges associated with the termination of the Electrical Worker Pension Fund. These positive effects were only partially offset by a decline in revenues from construction contracts in the amount of €50 million.

Costs

3rd Quarter			Millions of euro	First nine months		
2012	2011	Change		**2012**	2011	Change
7,653	7,178	475	Electricity purchases	22,256	20,869	1,387
2,230	2,242	(12)	Consumption of fuel for electricity generation	6,622	5,940	682
1,024	605	419	Fuel for trading and gas for sale to end users	3,513	2,424	1,089
322	315	7	Materials	953	973	(20)
1,187	1,122	65	Personnel	3,534	3,298	236
3,940	3,535	405	Services, leases and rentals	11,410	10,469	941
875	293	582	Other operating expenses	2,192	1,623	569
(401)	(439)	38	Capitalized costs	(1,144)	(1,165)	21
16,830	**14,851**	**1,979**	**Total**	**49,336**	**44,431**	**4,905**

Costs for **electricity purchases** rose by €475 million in the 3rd Quarter of 2012 compared with the same period of 2011, an increase of 6.6%. The change reflects the increase in costs for purchasing electricity on power exchanges and from over-the-counter counterparties (€1,297 million), partially offset by the decline in electricity purchases through bilateral contracts (€822 million). In the first nine months of 2012, the increase in costs for electricity purchases (€1,387 million or 6.7%) was due to the combined effect of the increase in costs for the purchase of electricity on power exchanges and from other suppliers in the amount of €980 million and the increase in electricity purchases through bilateral contracts in the amount of €407 million.

Costs for the **consumption of fuel for electricity generation** amounted to €2,230 million in the 3rd Quarter of 2012, essentially in line with the corresponding period of the previous year. In the first nine months of 2012, the total came to €6,622 million, increasing by €682 million or 11.5% compared with the first nine months of 2011. The increase reflects both the greater quantities of coal purchased by the generation companies and greater costs for gas measured at higher weighted average prices.

Costs for the purchase of **fuel for trading and gas for sale to end users** for the 3rd Quarter of 2012 came to €1,024 million, up €419 million or 69.3% compared with the same quarter of 2011. The total in the first nine months of 2012 came to €3,513 million, up €1,089 million or 44.9% compared with the same period of the prior year. For both periods considered, the rise is mainly attributable to higher costs for gas purchases as a result of developments in the prices of the associated petroleum products.

Costs for **materials** amounted to €322 million in the 3rd Quarter of 2012, an increase of €7 million or 2.2% compared with the same period of the previous year. In the first nine months of 2012, the total came to €953 million, a decline of €20 million or 2.1%.

Personnel costs in the 3rd Quarter of 2012 came to €1,187 million, an increase of €65 million or 5.8%. In the first nine months of 2012, personnel costs came to €3,534 million, up €236 million or 7.2% compared with the same period of the previous year. The change was essentially the result of favorable adjustments of estimates recognized in the 1st Half of 2011 in respect of previously recognized charges for the early retirement incentive plan, which came to a close on December 31, 2011.

At September 30, 2012, Group employees numbered 74,877, of which 38,292 employed abroad. In the first nine months of 2012, the workforce declined by 483 due both to the net negative balance between new hires and terminations and the change in the scope of consolidation after the sale of Wisco. The change compared with December 31, 2011, breaks down as follows.

Balance at December 31, 2011	**75,360**
Hirings	1,984
Terminations	(2,445)
Change in scope of consolidation	(22)
Balance at September 30, 2012	**74,877**

(1) Includes 109 in units classified as "Held for sale".

Costs for **services, leases and rentals** in the 3rd Quarter of 2012 totaled €3,940 million, up €405 million compared with the same period of 2011. The total in the first nine months of 2012 came to €11,410 million, an increase of €941 million compared with the first nine months of 2011. The change for the two periods in question was essentially due to the increase in electricity transport costs (€327 million in the 3rd Quarter and €714 million in the first nine months of 2012) as a result of transport rate increases (mainly related to the TUR in Spain) and to the increase in costs for other services (€29 million in the 3rd Quarter and €155 million in the first nine months of 2012), due in part to the increase in incidental fees related to electricity sales, including rights to use transport capacity.

Other operating expenses came to €875 million in the 3rd Quarter of 2012, up €582 million compared with the same period of the previous year. The total in the first nine months of 2012 was €2,192 million, an increase of €569 million compared with the same period of 2011. The increase, which came mainly in the 3rd Quarter of 2012, was mainly due to the increase in costs for the purchase of white certificates, an increase in costs related to reimbursements payable to customers for extended service interruptions, an increase in allocations to provisions for risks and charges and higher local taxes in Spain.

Capitalized costs came to €401 million in the 3rd Quarter of 2012 and €1,144 million in the first nine months of 2012, neither changing significantly from the corresponding periods of the previous year.

Net income/(charges) from commodity risk management showed net income of €102 million in the 3rd Quarter of 2012 (€101 million for the same period of the previous year) and €198 million in the first nine months of 2012 (€219 million in the first nine months of 2011). More specifically, the net income registered in the 3rd Quarter of 2012 is attributable to net income realized in the period in the amount of €105 million (€293 million in the first nine months of 2012) and net charges from the fair value measurement of derivatives positions open at the end of the period in the amount of €3 million (€95 million in the first nine months of 2012).

Depreciation, amortization and impairment losses in the 3rd Quarter of 2012 came to €1,620 million, an increase of €207 million. The total in the first nine months of 2012 was €4,561 million, up €291 million. The increase for both periods under review was due to increases in depreciation and amortization in the amount of €94 million in the 3rd Quarter of 2012 and €198 million in the first nine months of 2012 and increases in net impairment losses in the amount of €113 million in the 3rd Quarter of 2012 and €93 million in the first nine months of 2012. The increase in depreciation and amortization was mainly attributable to generation plants, in particular the start of operations of a number of new plants, whereas the impairment losses for the first nine months of 2012 include the recognition of the €67 million writedown of the goodwill of Endesa Ireland in order to take account of the agreement reached with Scottish and Southern Energy for the sale of the entirety of the company's share capital.

Operating income for the 3rd Quarter of 2012 amounted to €2,859 million, down €83 million or 2.8% compared with the corresponding period of the previous year. For the first nine month of 2012, operating income totaled €8,200 million, a decline of €814 million or 9.0% compared with the same period of the previous year.

Net financial expense declined by €103 million in the 3rd Quarter of 2012 and by €12 million in the first nine months of 2012. More specifically, developments in interest and exchange rates (net of related hedging) and the difference in average net debt for the two periods under review did not have a significant overall effect on net financial expense. The decrease noted above is therefore attributable to the recognition, in early 2012, of the gain on the sale of the shareholding in Terna, which more than offset the effects of the recognition, in 2011, of the default interest received following a favorable ruling for the Group regarding a tax dispute in Spain.

The **share of income/(expense) from equity investments accounted for using the equity method** showed net income of €20 million in the 3rd Quarter of 2012, up €5 million compared with the 3rd Quarter of 2011. The total for the first nine months of 2012 came to €65 million, a decline of €13 million compared with the same period of the previous year.

Income taxes for the 3rd Quarter of 2012 totaled €817 million, while the income tax liability for the first nine month of 2012 is estimated at €2,310 million, equal to 38.9% of taxable income (33.8% for the first nine months of 2011). The change essentially reflects the adjustment in the first nine months of 2012 of the deferred taxes of the Chilean companies following an increase in the tax rate in that country as from January 1, 2013 (Law no. 26030/2012) and the recognition in the first nine months of 2011 of the benefit resulting from the favorable ruling related to a tax dispute in Spain.

Analysis of the Group's financial position

Non-current assets - *€135,611 million*

Property, plant and equipment and intangible assets (including investment property) amounted to €102,532 million at September 30, 2012, an increase of €962 million. The change was attributable to capital expenditure during the period in the amount of €4,377 million, changes in the scope of consolidation (€158 million) and positive exchange rate differences (€818 million), effects that were partially offset by depreciation, amortization and impairment losses (€4,094 million), disposals during the period (€94 million) and other changes totaling €203 million. More specifically, other changes include €190 million for reclassifications to "service concession arrangements" (reported under non-current financial assets) in response to Resolution no. 474 of February 7, 2012, which clarified a number of aspects of the operation of the electricity distribution service in Brazil.
The change in the scope of consolidation mainly refers to the acquisition of the Mexican company Stipa Nayaa, a wind power generator (€113 million), and the value attributed to the gas customer list for the Madrid metropolitan area.

Goodwill amounted to €18,473 million, a rise of €131 million from December 31, 2011. The change mainly reflects the goodwill connected with the acquisition of controlling interests in a number of companies in the Renewable Energy Division (€91 million, related essentially to acquisitions in Mexico and Greece) and the adjustment of goodwill denominated in foreign currencies using current exchange rates (€39 million).

Equity investments accounted for using the equity method amounted to €1,265 million, up €180 million compared with the end of the previous year. The increase includes the cost of the acquisition aimed at developing the Chisholm View and Prairie Rose wind farms (in the United States) by the Renewable Energy Division.

Other non-current assets came to €13,341 million and include:

Millions of euro

	at Sept. 30, 2012	at Dec. 31, 2011	Change
Deferred tax assets	6,095	6,011	84
Non-current financial assets	6,578	6,325	253
Receivables due from the Electricity Equalization Fund and similar bodies	76	85	(9)
Other long-term receivables	592	421	171
Total	**13,341**	**12,842**	**499**

The €499 million increase for the period was largely due to the rise in non-current financial assets related to the recognition of the long-term portion of the receivable related to the reimbursement of charges associated with the termination of the Electrical Workers Pension Fund (FPE) in the amount of €518 million as at September 30, 2012. This was partially offset by the fair value measurement of financial derivatives and the reduction in the value of other equity investments, the latter of which was the result of the sale of the Terna shareholding in early 2012. The change for the period in other non-current assets associated with the increase in other long-term receivables (€171 million) was mainly attributable to advances paid to gas suppliers under take-or-pay clauses in long-term contracts, as well as to advances paid in relation to exploration activities in Algeria.

Current assets - *€39,284 million*

Inventories totaled €3,535 million, an increase of €387 million related mainly to gas inventories and CO_2 emissions allowances. This was only partially offset by the reduction in green certificate inventories.

Trade receivables amounted to €13,049 million, an increase of €1,479 million due mainly to developments in sales.

Other current assets came to €15,557 million and break down as follows:

Millions of euro

	at Sept. 30, 2012	at Dec. 31, 2011	Change
Current financial assets	10,676	10,466	210
Tax receivables	2,253	1,251	1,002
Receivables due from the Electricity Equalization Fund and similar bodies	993	959	34
Other short-term receivables	1,635	1,176	459
Total	**15,557**	**13,852**	**1,705**

The increase of €1,705 million in the period is attributable to the following main factors:

> a €210 million increase in current financial assets, related mainly to the change in the financial receivable in respect of the deficit of the Spanish electrical system, which came to €5,852 million at September 30, 2012 (€5,379 million as at December 31, 2011). More specifically, the change reflects the new receivables accrued during the first nine months of 2012 (€2,392 million) net of collections during the period (€1,919 million, including reimbursements related to extra-peninsular generation, of which €1,705 million through assignment to the dedicated securitization fund in accordance with the measures issued by the Spanish government). These changes were partially offset by the €99 million decrease in financial assets in respect of derivatives and other short-term financial receivables. The change in current financial assets also reflects the recognition of the short-term portion of the receivable for the reimbursement of charges incurred for the termination of the FPE in the amount of €56 million at September 30, 2012;

> a €1,002 million increase in tax receivables resulting from the payment of the first advance installment for 2012 of IRES (corporate income tax) and IRAP (regional business tax) and the advance installment of the

corporate income surtax, partially offset by the settlement of taxes for 2011;
- a €459 million increase in other short-term receivables, mainly attributable to the increase in prepaid expenses and other tax receivables.

Assets held for sale - *€369 million*

The item is made up exclusively of the assets of Endesa Ireland, which in view of the decisions taken by management meet the requirements of IFRS 5 for classification as assets held for sale. The sale of the entirety of that company's share capital was completed on October 9, 2012.

Equity attributable to the shareholders of the Parent Company - *€39,534 million*

The change in the first nine months of 2012 in equity attributable to the shareholders of the Parent Company reflects the recognition of net income for the period (€2,808 million), dividends approved (€1,505 million) and the result for the first nine months of 2012 recognized directly in equity (a negative €559 million).

Non-current liabilities - *€82,291 million*

Long-term loans totaled €56,396 million (€48,703 million at December 31, 2011), consisting of bonds in the amount of €39,312 million (€37,641 million at December 31, 2011, including preference shares in the amount of €180 million) and bank and other loans in the amount of €17,084 million (€11,062 million at December 31, 2011).

Provisions and deferred tax liabilities came to €22,355 million at September 30, 2012 (€22,336 million at December 31, 2011) and include provisions for post-employment and other employee benefits totaling €3,020 million (€3,000 million at December 31, 2011), provisions for risks and charges totaling €7,720 million (€7,831 million at December 31, 2011) and deferred tax liabilities totaling €11,615 million (€11,505 million at December 31, 2011).

Other non-current liabilities came to €3,540 million (€3,620 million at December 31, 2011), declining by €80 million due to a decrease in other payables, partially offset by the positive change in the fair value of derivative instruments recognized as liabilities.

Current liabilities - *€37,072 million*

Short-term loans and current portion of long-term loans decreased by €5,041 million, going from €14,471 million of the end of 2011 to €9,430 million at September 30, 2012. The change takes account of the reduction in short-term bank debt in the amount of €6,891 million (especially the fallen-due current portion of long-term loans), partially offset by an increase in the current portion of bonds in the amount of €594 million, preference shares in the amount of €180 million and in commercial paper in the amount of €925 million.

Trade payables came to €12,183 million (€12,931 million at December 31, 2011), down €748 million.

Other current liabilities, which came to €15,459 million, break down as follows.

Millions of euro

	at Sept. 30, 2012	at Dec. 31, 2011	Change
Payables due to customers	1,667	1,599	68
Payables due to Electricity Equalization Fund and similar bodies	3,276	2,783	493
Current financial liabilities	3,652	3,668	(16)
Social security contributions payable and payables to employees	522	700	(178)
Tax payables	3,215	1,559	1,656
Other	3,127	2,937	190
Total	**15,459**	**13,246**	**2,213**

The change for the period, €2,213 million, was mainly due to the following:

> an increase of €493 million in payables due to the Electricity Equalization Fund and similar bodies from the application of equalization mechanisms to electricity purchases;

> an increase of €1,656 million in tax payables, attributable essentially to the estimate for income taxes for the period, net of tax payments made.

Liabilities held for sale - *€48 million*

This includes liabilities associated with "Assets held for sale", as discussed in the section for that item.

Net capital employed and related funding

The following schedule shows the composition of and changes in net capital employed.

Millions of euro

	at Sept. 30, 2012	at Dec. 31, 2011	Change
Net non-current assets:			
- property, plant and equipment and intangible assets	102,532	101,570	962
- goodwill	18,473	18,342	131
- equity investments accounted for using the equity method	1,265	1,085	180
- other net non-current assets/(liabilities)	(458)	(365)	(93)
Total	**121,812**	**120,632**	**1,180**
Net current assets:			
- inventories	3,535	3,148	387
- trade receivables	13,049	11,570	1,479
- net receivables due from Electricity Equalization Fund and similar bodies	(2,283)	(1,823)	(460)
- other net current assets/(liabilities)	(5,682)	(5,525)	(157)
- trade payables	(12,183)	(12,931)	748
Total	**(3,564)**	**(5,561)**	**1,997**
Gross capital employed	**118,248**	**115,071**	**3,177**
Provisions:			
- post-employment and other employee benefits	(3,020)	(3,000)	(20)
- provisions for risks and charges and net deferred taxes	(13,240)	(13,325)	85
Total	**(16,260)**	**(16,325)**	**65**
Net assets held for sale	**321**	**323**	**(2)**
Net capital employed	**102,309**	**99,069**	**3,240**
Total shareholders' equity	**55,853**	**54,440**	**1,413**
Net financial debt	**46,456**	**44,629**	**1,827**

Net capital employed at September 30, 2012, amounted to €102,309 million and is funded by equity attributable to the shareholders of the Parent Company and non-controlling interests in the amount of €55,853 million and net financial debt of €46,456 million. The debt-to-equity ratio at September 30, 2012, came to 0.83 (0.82 at December 31, 2011).

Net financial debt

The following schedule shows the composition of and changes in net financial debt.

Millions of euro

	at Sept. 30, 2012	at Dec. 31, 2011	Change
Long-term debt:			
- bank loans	15,888	9,918	5,970
- bonds and preference shares	39,312	37,641	1,671
- other loans	1,196	1,144	52
Long-term debt	*56,396*	*48,703*	*7,693*
Long-term financial receivables and securities	(4,164)	(3,576)	(588)
Net long-term debt	**52,232**	**45,127**	**7,105**
Short-term debt			
Bank loans:			
- short-term portion of long-term debt	741	6,894	(6,153)
- other short-term bank debt	150	888	(738)
Short-term bank debt	*891*	*7,782*	*(6,891)*
Bonds and preference shares (short-term portion)	3,247	2,473	774
Other loans (short-term portion)	230	305	(75)
Commercial paper	4,129	3,204	925
Cash collateral and other financing on derivatives	855	650	205
Other short-term financial payables	78	57	21
Other short-term debt	*8,539*	*6,689*	*1,850*
Long-term financial receivables (short-term portion)	(6,041)	(5,632)	(409)
Factoring receivables	(283)	(370)	87
Financial receivables – cash collateral	(1,214)	(1,076)	(138)
Other short-term financial receivables	(456)	(824)	368
Cash with banks and short-term securities	(7,212)	(7,067)	(145)
Cash and cash equivalents and short-term financial receivables	*(15,206)*	*(14,969)*	*(237)*
Net short-term financial debt	**(5,776)**	**(498)**	**(5,278)**
NET FINANCIAL DEBT	**46,456**	**44,629**	**1,827**
Financial debt of "Assets held for sale"	(1)	(1)	-

Net financial debt was equal to €46,456 million at September 30, 2012, up €1,827 million on December 31, 2011.

More specifically, **net long-term debt** increased by €7,105 million, the net effect of an increase in gross long-term debt of €7,693 million and an increase in long-term financial receivables in the amount of €588 million.

More specifically, *bank loans*, in the amount of €15,888 million, increased by €5,970 million due mainly to the use of long-term term loan facility agreements in the amount of €3,550 million by Enel Finance International, as well as the greater use of lines of credit by Endesa in the amount of €2,342 million and the receipt of EIB financing (by Enel Distribuzione) for a total of €640 million. These effects were partially offset by the repayment of the €10 billion five-year revolving credit line obtained in April 2010 by Enel SpA and Enel Finance International in the amount of €1 billion.

Bonds and preference shares, equal to €39,312 million, increased by €1,671 million compared with December 31, 2011, due mainly to new issues during the first nine months of 2012, including:

> a retail bond issue by Enel SpA totaling €3,000 million, structured into two tranches (€2,500 million at a fixed rate of 4.875% maturing February 20, 2018, and €500 million at a floating rate maturing February 20, 2018);

> a bond issue for institutional investors executed by Enel Finance International totaling €1,000 million at a fixed rate of 4.875% maturing March 11, 2020;

> private placements by Enel Finance International totaling €393 million.

These effects were partially offset by the reclassification of bonds and preference shares to short term and exchange rate effects.

Long-term financial receivables increased by €588 million from December 31, 2011. This change was mainly connected with recognition of the long-term portion of the receivable related to the aforementioned reimbursement of charges in respect of the termination of the FPE in the amount of €518 million at September 30, 2012.

Net short-term debt showed a net creditor position of €5,776 million as at September 30, 2012, an increase of €5,278 million compared with the end of 2011. This was the result of a reduction in short-term bank debt in the amount of €6,891 million, an increase in other short-term debt in the amount of €1,850 million and an increase in cash and cash equivalents and short-term financial receivables in the amount of €237 million.

The reduction in *short-term bank debt* (€6,891 million) compared with December 31, 2011, essentially reflects the change in the short-term portion of bank loans and credit lines in the amount of €6,153 million.

Other short-term debt, equal to €8,539 million, includes the commercial paper issued by Enel Finance International, Endesa Latinoamérica and Endesa Capital for a total of €4,129 million as well as bonds and preference shares maturing within 12 months in the amount of €3,247 million.

The balance of cash collateral paid to counterparties on over-the-counter interest-rate, exchange-rate and commodity contracts came to €1,214 million, while the value of cash collateral received from those counterparties came to €855 million.

Cash and cash equivalents and short-term financial receivables, equal to €15,206 million, increased by €237 million compared with the end of 2011, due mainly to the increase in cash with banks and short-term securities in the amount of €145 million.

As regards significant funding transactions carried out during the first nine months of 2012, on February 20, 2012, Enel Finance International (with an Enel SpA guarantee) obtained a term loan facility of €3,200 million with a maturity of 5 years as from the first use, while on September 17, 2012, Enel SpA obtained a new revolving line of credit amounting to €1,000 million.

Cash flows

Cash flows from operating activities in the first nine months of 2012 amounted to €5,038 million, up €285 million on the year-earlier period. Increase is associated with the lower use of cash connected with the change in net working capital, only partially offset by the decline in the components of operating income with monetary effects.

Cash flows from investing/disinvesting activities in the first nine months of 2012 absorbed funds in the amount of €4,481 million, while in the corresponding period of 2011 they had absorbed liquidity totaling €4,647 million.

In particular, investments in property, plant and equipment and in intangible assets, totaling €4,451 million, declined by €306 million from the corresponding period of the previous year.

Investments in companies and business units, net of the cash and cash equivalents acquired, came to €170 million in the first nine months of 2012 and regarded the acquisition of 100% of the share capital of Stipa Nayaa, a Mexican wind-power generator, the acquisition of a further 50% interest in the companies of the Kafireas wind pipeline in Greece, the acquisition of an additional 50% stake in Enel Stoccaggi, and other minor acquisitions and advances paid on future equity investments.

Divestments of companies and business units in the first nine months of 2012, net of the cash and cash equivalents sold, totaled €8 million and regarded the sale of equity interests held in Parque Eólico de Malpica and Wisco.

Cash flows generated by other investing/disinvesting activities amounted to €132 million in the first nine months of 2012, due essentially to the proceeds of the sale of the equity investment in Terna (€281 million) and other divestments for the period (€104 million). This was partially offset by uses of funds for the purchase of minority interests in Chisholm View (€125 million) and Prairie

Rose (€90 million) and for the acquisition of the gas customer list for the Madrid metropolitan area (€38 million).

Cash flows from financing activities show cash absorbed in the amount of €446 million, compared with €948 million for the first nine months of 2011. Cash flows for the first nine months of 2012 were essentially attributable to the increase in net financial debt of €1,637 million (which reflects bond issues during the period), which was more than offset by dividend payments (€2,083 million).

Accordingly, in the first nine months of 2012, cash flows generated by operating activities in the amount of €5,038 million covered the cash requirements associated with investing activities in the amount of €4,481 million and with financing activities in the amount of €446 million. The difference is reflected in the increase in cash and cash equivalents, which at September 30, 2012, amounted to €7,213 million, compared with €7,072 million at the end of 2011. The increase also reflects positive exchange rate differences totaling €30 million.

Other information

Related parties

As an operator in the field of generation, distribution, transport and sale of electricity, and the sale of natural gas, Enel provides services to a number of companies controlled by the Italian State, the Group's controlling shareholder.

The following table summarizes the main types of transaction carried out with those counterparties.

Related party	Relationship	Nature of main transactions
Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhance protection market
EMO - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange Purchase of electricity on the Power Exchange for pumping and plant planning
ESO - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
Terna	Indirectly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market Purchase of transport, dispatching and metering services
Eni Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity transport services Purchase of fuels for generation plants, storage services and natural gas distribution
Finmeccanica Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods
Italian Post Office	Fully controlled (directly) by the Ministry for the Economy and Finance	Purchase of postal services

Finally, Enel also maintains relationships with the pension funds Fopen and Fondenel and with Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.

All transactions with related parties were carried out on normal market terms and conditions, which in some cases are determined by the Authority for Electricity and Gas.

The following table summarizes the relationships.

	Balance sheet		Income statement	
Millions of euro	Receivables	Payables	Revenues	Costs
	at Sept. 30, 2012		**First nine months of 2012**	
Single Buyer	9	1,034	8	4,636
Energy Markets Operator	623	375	3,696	2,591
Energy Services Operator	182	1,017	425	1
Terna	356	482	860	1,425
Eni	36	197	423	212
Italian Post Office	-	81	-	88
Other	55	31	38	36
Total	**1,261**	**3,217**	**5,450**	**8,989**

The following table shows transactions with associated companies outstanding at September 30, 2012 and carried out during the first nine months of the year, respectively.

	Balance sheet		Income statement	
Millions of euro	Receivables	Payables	Revenues	Costs
	at Sept. 30, 2012		**First nine months of 2012**	
Enel Rete Gas	29	39	38	212
SeverEnergia	1	-	-	-
Elica 2	3	-	2	-
CESI	-	5	-	5
GNL Chile	1	61	38	180
Other companies	43	17	10	47
Total	**77**	**122**	**88**	**444**

Finally, the Enel Group's rules of corporate governance set out a framework to ensure that transactions with related parties are carried out in accordance with criteria of procedural and substantive propriety. With a view to assuring substantive propriety – in order to ensure fairness in transactions with related parties, and to account for the special nature, value or other characteristics of a given transaction – the Board of Directors may ask independent experts to value the assets involved in the transaction and provide financial, legal or technical advice. In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at http://www.enel.com/it-IT/group/governance/principles/related_parts/) was adopted in implementation of the provisions of Article 2391-bis of the Italian Civil Code and the implementing regulations issued by CONSOB.

Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

Millions of euro

	at Sept. 30, 2012	at Dec. 31, 2011	Change
Guarantees given:			
- sureties and other guarantees granted to third parties	**5,652**	**4,766**	**886**
Commitments to suppliers for:			
- electricity purchases	51,692	54,708	(3,016)
- fuel purchases	66,808	69,008	(2,200)
- various supplies	2,604	3,153	(549)
- tenders	1,723	1,936	(213)
- other	2,447	2,458	(11)
Total	125,274	131,263	(5,989)
TOTAL	**130,926**	**136,029**	**(5,103)**

Commitments for electricity amounted to €51,692 million at September 30, 2012, of which €21,121 million refer to the period October 1, 2012 - December 31, 2016, €10,979 million to the period 2017-2021, €6,958 million to the period 2022-2026 and the remaining €12,634 million beyond 2026.

Commitments for the purchase of fuels are determined with reference to the contractual parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at September 30, 2012 was €66,808 million, of which €39,687 million refer to the period October 1, 2012 - December 31, 2016, €20,187 million to the period 2017-2021, €4,956 million to the period 2022-2026 and the remaining €1,978 million beyond 2026.

Contingent assets and liabilities

Compared with the consolidated financial statements at December 31, 2011, which the reader is invited to consult, the following main changes have occurred in contingent assets and liabilities.

Porto Tolle thermal plant - Air pollution - Criminal proceedings against Group directors and employees - Damages for environmental harm

With regard to the criminal proceedings against Group directors and employees for a number of cases of air pollution linked to the emissions of the Porto Tolle thermal plant, at the hearing of February 7, 2012, the pre-trial hearing judge of Rovigo, granting the request of the Public Prosecutor's Office of Rovigo, ordered the committal for trial of all of the accused for the offence of willful omission of accident prevention measures. At the hearing of September 27, 2012, the Public Prosecutor also charged the defendants with willfully causing a disaster. Consequently, the case was assigned to a panel of judges of the Court of Rovigo (competent for the new charge) for the hearing of January 24, 2013.

BEG litigation

As regards the BEG litigation concerning alleged breach of contract for the construction of a hydroelectric plant in Albania, on February 8, 2012, Albania Beg Ambient filed suit against Enel and Enelpower with the *Tribunal de Grande Instance* in Paris in order to render the ruling of the Tirana Court of March 24, 2009, enforceable in France. The hearing before the French court is scheduled for February 6, 2013.

Registration fees on the disposal of Enel Linee Alta Tensione

On March 27, 2012, the Revenue Agency served Enel Distribuzione with an assessment requesting payment of €38 million in additional registration fees, plus interest, that it considers due in respect of the disposal of Enel Linee Alta Tensione Srl. The assessment regards, in line with the established line of court decisions concerning abuse of right (requalification of transaction as a disposal of a business unit – subject to a proportionate registration fee), the transfer of the high-voltage business unit to Enel Linee Alta Tensione (as of January 1, 2009) and the subsequent sale of the equity investment to Terna (on April 1, 2009). Enel feels that the assessment can be effectively and favorably challenged, both in view of the obvious economic reasons for the form of the transaction and the significant procedural flaws. Accordingly, the assessment is being challenged before the competent Provincial Tax Commission.

Spain

With regard to the suit filed by Josel SL in March 2009 against Endesa Distribución Eléctrica SL to withdraw from the contract for the sale of several buildings due to changes in their zoning status, Endesa appealed the ruling granting the request to permit withdrawal from the contract and ordering Endesa to repay the amounts paid for the sale plus interest and costs. On February 13, 2012, the *Audiencia Provincial de Palma de Mallorca* overturned the initial ruling. The latter judgment was appealed by Josel with the *Tribunal Supremo*.

Subsequent events

€2 billion bond issue

On October 8, 2012, Enel SpA, acting through its subsidiary Enel Finance International, placed a €2 billion multi-tranche bond issue for institutional investors on the European market. The issue was executed as authorized by Enel SpA's Board of Directors on September 11, 2012 under the Global Medium Term Notes program. The issue, carried out by a syndicate of banks composed of Bank of America Merrill Lynch, Barclays, Deutsche Bank, JP Morgan, Royal Bank of Scotland and Société Générale Corporate & Investment Banking as global coordinators and Banco Bilbao Vizcaya Argentaria, Credit Suisse, Goldman Sachs International, ING, Santander Global Banking and Markets and UBS Investment Bank as joint bookrunners, generated demand in excess of €12 billion and is structured into two tranches (all guaranteed by Enel SpA): €1 billion at a rate of 3.625% maturing on April 17, 2018 and €1 billion at a rate of 4.875% maturing on April 17, 2023.

Disposal of Endesa Ireland

In implementation of the agreement reached on June 14, 2012, on October 9, 2012 Endesa Generación (99.98%) and Endesa (0.02%) closed the sale of the entire share capital of the Irish company Endesa Ireland to Scottish and Southern Energy ("SSE"). The total price for the 100% stake in Endesa Ireland amounted to €286 million, with an enterprise value for the entire share capital of Endesa Ireland, including the company's net financial position at closing, of approximately €361 million.
The transaction, which was completed following the issuance of all the necessary authorizations by the competent authorities, is part of the disposal plan announced by Enel to investors. It had a positive impact on the consolidated net debt of the Enel Group of around €361 million.

NEC Corporation and Enel to cooperate on the development of smart grids

On October 24, 2012, NEC Corporation, a leader in network, communication and IT solutions, and Enel Distribuzione expanded their existing strategic partnership for the development of smart grids, which began in April 2011, with the signing of a new memorandum of understanding. The new agreement aims to expand joint business opportunities in the smart energy field, one of the most promising areas of development for the energy industry. It enhances technical and commercial collaboration between the two companies in three key areas of energy technologies: smart meters and advanced metering infrastructure (AMI), electricity storage systems (ESS), and smart city development.

Evolution of corporate rationalization process in Latin America

On October 24, 2012, Enersis received the two independent appraisals commissioned from two leading companies in the sector to serve as support for the opinions of the board and the executive committee. That documentation was made available to the shareholders in the following days.

On November 6, 2012, the Board of Directors of Enersis called a special shareholders' meeting for December 20, 2012 to approve a capital increase in an amount, expressed in Chilean pesos, equal to between $5,915 million and $6,555 million, to be subscribed in cash and through contributions in kind. More specifically, within the context of this operation, the shareholders' meeting is called to:

> approve the contribution in kind from the majority shareholder and the associated value (between $3,586 million and $3,974 million) of the entire share capital of Cono Sur Partecipaciones, a company in which the controlling shareholder, Endesa Latinoamerica, will contribute its holdings in 12 companies, in most of which Enersis already holds a direct or indirect stake;
> determine the subscription price for the new shares or specify the criteria for determining that price, in the latter case delegating the task of setting the final price to the Board of Directors, bearing in mind that the capital increase must be performed within 180 days from the date of the shareholders' meeting;
> approve the placement of a condition (requested by the majority shareholder) on the entire operation, under which contributions in cash by the other shareholders shall not cause the majority shareholder to exceed the shareholding limit set by law and the bylaws of Enersis, equal to 65% of the share capital with voting rights;
> approve the use of the funds raised through the capital increase.

Revision of Moody's rating of Enel

On November 5, 2012, Moody's rating agency announced that it had revised its long-term rating for Enel SpA to "Baa2" (from the previous "Baa1"). The agency also said that it had maintained its short-term rating for Enel at "Prime-2". The outlook is negative.
According to Moody's, the adjustment of Enel's rating mainly reflects the macroeconomic, political and regulatory challenges that utilities are facing in Italy and Spain, partly associated with the ratings assigned to the sovereign debt of Spain ("Baa3", with a negative outlook) and Italy ("Baa2", with a negative outlook). The agency said that the change in Enel's rating also reflects the narrowing of margins in the power generation sector, mainly in Italy, and changes in the electricity sector's regulatory and fiscal framework that were announced in Spain. On a positive note, Moody's noted that the Group has extended the maturity of its debt and increased its liquidity, which now covers its maturing obligations through all of 2014 and even beyond. This gives Enel greater flexibility in accessing financing sources, even in today's volatile market environment.

Declaration of the officer responsible for the preparation of the company financial reports pursuant to the provisions of Article 154-*bis*, paragraph 2, of Legislative Decree 58/1998

The officer responsible for the preparation of the company's financial reports, Luigi Ferraris, declares, pursuant to Article 154-*bis*, paragraph 2, of the Consolidated Law on Financial Intermediation, that the accounting information contained in the Interim Financial Report at September 30, 2012 corresponds with that contained in the accounting documentation, books and records.

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