Interim Financial Report at September 30, 2014

Contents

Consolidated financial statements

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.

Enel around the world

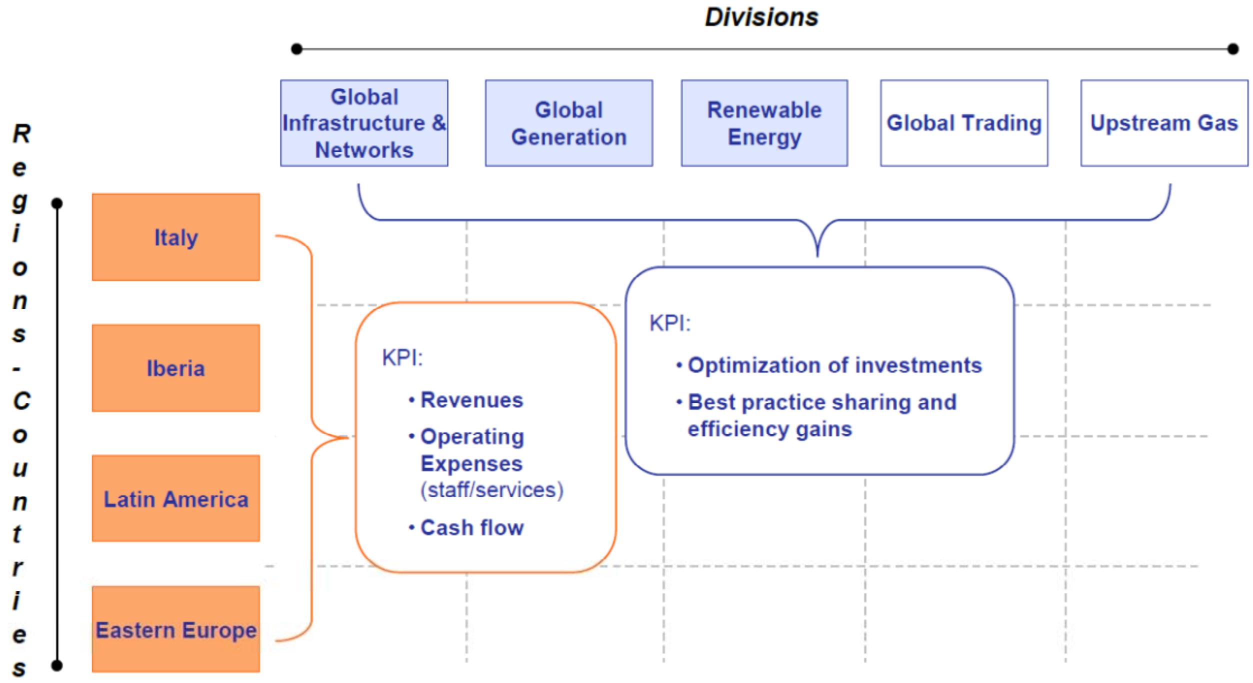
Enel organizational model

On July 31, 2014, the Enel Group adopted a **new organizational structure**, based on a matrix of divisions and geographical areas, focused on the industrial objectives of the Group, with clear specification of roles and responsibilities in order to:

> pursue and maintain technological leadership in the sectors in which the Group operates, ensuring operational excellence;

> maximize the level of service offered to customers in local markets.

Thanks to this organization, the Group can benefit from reduced complexity in the execution of management actions and the analysis of key factors in value creation.



More specifically, the new Enel Group structure is organized into:

> *Divisions* (Global Infrastructure and Networks, Global Generation, Global Trading, Renewable Energy, and Upstream Gas), which are responsible for managing and developing assets, optimizing their performance and the return on capital employed in the various geographical areas in which the Group operates. The divisions are also tasked with improving the efficiency of the processes they manage and sharing best practices at the global level. The Group can benefit from a centralized industrial vision of projects in the various business areas. Each project will be assessed not only on the basis of its financial return, but also on the basis of the best technologies available at the Group level;

> *Regions and countries* (Italy, Iberia, Latin America, Eastern Europe), which are responsible for managing relationships with institutional bodies and regulatory authorities, as well as selling electricity and gas, in each of the countries in which the Group is present, while also providing staff and other service support to the divisions;

> *Global service functions* (Procurement and ICT), which are responsible for managing information and communication technology activities and procurement at the Group level;

> *Holding company functions* (Administration, Finance and Control, Human Resources and Organization, Communication, Legal and Corporate Affairs, Audit, European Union Affairs, and Innovation and Sustainability), which are responsible for managing governance processes at the Group level.

The **new organization will modify** the reporting structure, the analysis of the Group's performance and financial position and, accordingly, **the representation of consolidated results only from the start of 2015**. Consequently, in this Interim Financial Report, in line with practice in previous periods, the results by business area are discussed using the previous organizational structure, taking account of the provisions of IFRS 8 concerning the "management approach".

More specifically, the **previous operational model,** adopted in early 2012, provided for the organization of the Group on the basis of:

> Holding 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 six 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 the world's CO_2 certificate markets).

The activities of the individual divisions are set out below.

The **Generation, Energy Management and Sales Italy Division** is responsible for:

> the generation and sale of electricity:
  – generation from thermal and schedulable hydroelectric power plants in Italy (through Enel Produzione and other smaller companies) and in Belgium with the Marcinelle thermoelectric plant operated by Enel Trade under a tolling agreement;
  – trading on international and Italian markets, primarily through Enel Trade;
> provisioning for all of the Group's needs and the sale of energy products, including the sale of natural gas to distributors, through Enel Trade;
> the development of natural gas regasification (Nuove Energie);
> 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 responsible for the sale of electricity on the regulated market (Enel Servizio Elettrico) and the sale of electricity on the free market and the sale of natural gas to end users (Enel Energia). As from July 1, 2013, these activities have been expanded to include retail plant and franchising operations in Italy following the acquisition of Enel.si from the Renewable Energy Division.

The **Infrastructure and Networks Division** is primarily responsible for the distribution of electricity (Enel Distribuzione) and public and artistic lighting (Enel Sole) 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. The geographical areas in which it operates are as follows:

> Europe, with the generation, distribution and sale of electricity and the sale of natural gas in Spain and Portugal;
> Latin America, with the generation, distribution and sale of electricity in Chile, Brazil, Peru, Argentina and Colombia.

The **International Division** supports the Group's strategies for international growth, as well as managing and integrating 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 power generation in Slovakia (Slovenské elektrárne) and electricity sales in France (Enel France);
> south-eastern Europe, mainly with the development of generation capacity in Romania (Enel Productie) and electricity distribution and sales in Romania (Enel Distributie Banat, Enel Distributie Dobrogea, Enel Energie, Enel Distributie Muntenia and Enel Energie Muntenia);
> Russia, with power generation and sales activities (Enel Russia OJSC).

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, which in 2014 were modified with regard to operations in the Iberian peninsula, are:
> 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), Bulgaria (Enel Green Power Bulgaria) and Spain and Portugal (Enel Green Power España);
> Latin America, with power generation from renewable sources (various companies);
> North America, with power generation from renewable sources (Enel Green Power North America).

The mission of the **Engineering and Research Division** (formerly Engineering and Innovation) is to serve the Group by managing the engineering processes related to the development and construction of power plants (conventional and nuclear), while meeting the quality, 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 manages research activities identified in the process of managing innovation, with a focus on strategic research and technology scouting.

Finally, on the basis of the criteria set out by IFRS 8, the generation and energy management results of the Generation, Energy Management and Sales Italy Division are shown separately from the results pertaining to electricity sales in Italy, consistent with the structure of internal reporting to top management. In addition, account was also taken of the possibilities for the simplification of disclosures associated with the materiality thresholds also established under IFRS 8 and, therefore, 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, as well as the Upstream Gas function.

Introduction

The Interim Financial Report at September 30, 2014 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 IFRS 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, 2014, which has not been audited, are consistent with those used to prepare the consolidated financial statements at December 31, 2013, to which the reader is referred for more information. This report also applies the following international accounting standards and amendments to international accounting standards, adopted for the first time as of January 1, 2014.

> "IFRS 10 – *Consolidated financial statements*" Replaces "SIC 12 – *Consolidation – Special purpose entities*" and, for the part concerning consolidated financial statements, "IAS 27 – *Consolidated and separate financial statements*", the title of which was changed to "*Separate financial statements*". The standard introduces a new approach to determining whether an entity controls another (the essential condition for consolidating an investee), without modifying the consolidation procedures envisaged in the previous IAS 27. This approach must be applied to all investees, including special purpose entities, which are called "structured entities" in the new standard. While previous accounting standards gave priority – where control did not derive from holding a majority of actual or potential voting rights – to an assessment of the risks/benefits associated with the holding in the investee, IFRS 10 focuses the determination on three elements to be considered in each assessment: power over the investee; exposure to variable returns from the involvement in the investee; and the link between power and returns, i.e. the ability to use that decision-making power over the investee to affect the amount of returns. The accounting effects of a loss of control or a change in the ownership interest that does not result in a loss of control are unchanged with respect to the provisions of the previous IAS 27.
> The retrospective application of the standard did not have an impact on the scope of consolidation used in preparing the consolidated financial statements at December 31, 2013 and this Interim Financial Report.

> "IAS 27 – *Separate financial statements*". Together with the issue of IFRS 10 and IFRS 12, the previous IAS 27 was amended, with changes to its title and its content. All provisions concerning the preparation of consolidated financial statements were eliminated, while the other provisions were not modified. Following the amendment, the standard therefore only specifies the recognition and measurement criteria and the disclosure requirements for separate financial statements concerning subsidiaries, joint ventures and associates.
> Since this amendment does not pertain to consolidated financial statements, the retrospective application of the measure did not have an impact on the Group.

> "*IFRS 11 – Joint arrangements*". Replaces "IAS 31 – *Interests in joint ventures*" and "SIC 13 – *Jointly controlled entities – non-monetary contributions by venturers*". Unlike IAS 31, which assessed joint arrangements on the basis of the contractual form adopted, IFRS 11 assesses them on the basis of how the related rights and obligations are attributed to the parties. In particular, the new standard

identifies two types of joint arrangement: joint operations, where the parties to the arrangement have pro-rata rights to the assets and pro-rata obligations for the liabilities relating to the arrangement; and joint ventures, where the parties have rights to a share of the net assets or profit/loss of the arrangement. In the consolidated financial statements, accounting for an interest in a joint operation involves the recognition of the assets/liabilities and revenues/expenses related to the arrangement on the basis of the associated rights/obligations, without taking account of the interest held. Accounting for an interest in a joint venture involves the recognition of an investment accounted for using the equity method (proportionate consolidation is no longer permitted.

The effects of the retrospective application of the standard in this Interim Financial Report are discussed in the following "Restatement of the income statement and the balance sheet".

- "IAS 28 – *Investments in associates and joint ventures".* Together with the issue of IFRS 11 and IFRS 12, the previous IAS 28 was amended, with changes to its title and its content. In particular, the new standard, which also includes the provisions of "SIC 13 – *Jointly controlled entities - non-monetary contributions by venturers*", describes the application of the equity method, which in consolidated financial statements is used to account for associates and joint ventures.

  The effects of the retrospective application of the standard in this Interim Financial Report are discussed, along with those pertaining to IFRS 11 as mentioned above, in the following "Restatement of the income statement and the balance sheet".
- "IFRS 12 – *Disclosure of interests in other entities".* IFRS 12 brings together in a single standard the required disclosures concerning interests held in subsidiaries, joint operations and joint ventures, associates and structured entities. In particular, the standard replaces the disclosures called for in the previous IAS 27, IAS 28 and IAS 31 with new disclosure requirements in order to ensure the disclosure of more uniform and consistent information, introducing new requirements for disclosures concerning subsidiaries with significant non-controlling shareholders and individually material associates and joint ventures.

  The retrospective application of the measure did not have any particular impact on this Interim Financial Report.
- *"Amendments to IAS 32 – Financial Instruments: Presentation - Offsetting financial assets and financial liabilities*". The new version of IAS 32 establishes that a financial asset and a financial liability should be offset and the net amount reported in the balance sheet when, and only when, an entity:
  a) has a legally enforceable right to set off the amounts; and
  b) intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

  The amendments to IAS 32 clarify that, in order to satisfy the first requirement, the right of set-off must not be conditioned upon the occurrence of a future event and must be legally enforceable in the normal course of business and in the event of breach, insolvency or bankruptcy. The company's intent to settle net items can be seen in the course of normal business practices, through the operation of financial markets and through the absence of restrictions on the ability to settle gross and net financial assets and liabilities simultaneously. With regard to this requirement, the amendments to IAS 32 state that, where the entity settles financial assets and liabilities separately, for the purpose offsetting such in the financial statements, the gross settlement system must have specific characteristics that eliminate or reduce the degree of credit and liquidity risk to insignificant levels, as well as processing receivables and payables in a single settlement process. The retrospective application of this standard on this Interim Financial Report are described in the following "Restatement of the income statement and the balance sheet".

> *"Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance"*. The amendments are intended to clarify a number of issues concerning the first-time adoption of IFRS 10, IFRS 11 and IFRS 12. In particular, IFRS 10 was amended to clarify that the date of initial application of the standard shall mean "the beginning of the annual reporting period in which IFRS 10 is applied for the first time" (i.e. January 1, 2013). In addition, the amendments limited the comparative disclosures to be provided in the first year of application. IFRS 11 and IFRS 12 were amended analogously, limiting the effects, both in terms of restatement of financial data and of disclosures, of initial application of IFRS 11.
The retrospective application of the measure did not have a significant impact on this Interim Financial Report.

> *"Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities"*. The amendments introduce an exception to the requirement under IFRS 10 to consolidate all subsidiaries if the parent qualifies as an "investment entity". More specifically, investment entities, as defined in the amendments, shall not consolidate their subsidiaries unless the latter provide services associated with the investment activities of the parent. Non-consolidated subsidiaries shall be measured in conformity with IFRS 9 or IAS 39. The parent of an investment entity shall, however, consolidate all of its subsidiaries (including those held through the investment entity) unless it also qualifies as an investment entity.
The retrospective application of the measure did not have an impact on this Interim Financial Report.

> *"Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets".* The amendments of IAS 36 as a consequence of the provisions of IFRS 13 did not reflect the intentions of the IASB concerning the disclosures to report about the recoverable amount of impaired assets. Consequently, the IASB amended the standard further, eliminating the disclosure requirements originally introduced by IFRS 13 and requiring specific disclosures concerning the measurement of fair value in cases in which the recoverable amount of impaired assets is calculated on the basis of fair value less costs of disposal. The amendments also require disclosures on the recoverable amount of assets or cash generating units for which an impairment loss has been recognized or reversed during the period.
The retrospective application of the measure did not have an impact on this Interim Financial Report.

> *"Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting".* The amendments are intended to allow entities, under certain conditions, to continue hedge accounting in the case of novation of the hedging instrument with a central counterparty as a result of the introduction of a new law or regulation.
The retrospective application of the measure did not have an impact on this Interim Financial Report.

Restatement of the income statement and the balance sheet

The figures in the income statement for the 3rd Quarter and first nine months of 2013 and the balance sheet at December 31, 2013, reported here for comparative purposes only, have been restated to reflect:

> the application of the new IFRS 11, applicable since January 1, 2014 with retrospective effect, under which the only permissible method for accounting for joint ventures is the equity method. This change eliminated the option, permitted under the previous IAS 31 and utilized previously by the Group, of consolidating such interests on a proportionate basis, resulting in the restatement of all the income statement and balance sheet figures, although this did not change the Group's net result or consolidated shareholders' equity;

> the adoption at the end of 2013 of a new accounting policy for the recognition and presentation of different types of environmental certificates (CO_2 allowances, green certificates, white certificates, etc.) in the financial statements, resulting in certain restatements in the consolidated income statement for the 3rd Quarter and the first nine months of 2013;

> the application of the new provisions of IAS 32, applicable since January 1, 2014 with retrospective effect, concerning the offsetting of financial assets and liabilities under certain conditions, which led to the restatement of several items in the consolidated balance sheet at December 31, 2013. These changes did not have an impact on consolidated shareholders' equity;

> the definitive allocation of the purchase prices for a number of companies in the Renewable Energy Division (including Parque Eólico Talinay Oriente) in transactions that had been completed after December 31, 2013. As a result, a number of items in the balance sheet at that date were restated.

The following tables show the condensed accounting schedules for the first nine months of 2013 and at December 31, 2013, with the adjustments made in response to the above changes reported separately.

Condensed consolidated income statement

Millions of euro	First nine months			
	First nine months 2013	Effect of IFRS 11	New environmental certificates policy	**First nine months 2013 restated**
Total revenues	59,149	(1,367)	54	57,836
Total costs	46,584	(1,146)	54	45,492
Net income/(charges) from commodity risk management	(378)	-		(378)
GROSS OPERATING MARGIN	**12,187**	**(221)**	**-**	**11,966**
Depreciation, amortization and impairment losses	4,709	(95)		4,614
OPERATING INCOME	**7,478**	**(126)**	**-**	**7,352**
Financial income	1,877	(3)		1,874
Financial expense	3,893	(9)		3,884
Total financial income/(expense)	**(2,016)**	**6**	**-**	**(2,010)**
Share of income/(expense) from equity investments accounted for using the equity method	**69**	**70**		**139**
INCOME BEFORE TAXES	**5,531**	**(50)**	**-**	**5,481**
Income taxes	2,078	(50)		2,028
Net income from continuing operations	**3,453**	**-**	**-**	**3,453**
Net income from discontinued operations	**-**	**-**		**-**
NET INCOME FOR THE PERIOD (shareholders of the Parent Company and non-controlling interests)	**3,453**	**-**	**-**	**3,453**
Pertaining to shareholders of the Parent Company	2,335	-	-	2,335
Pertaining to non-controlling interests	1,118			1,118

Statement of consolidated comprehensive income

Millions of euro	First nine months		
	2013	Effect of IFRS 11	2013 restated
Net income/(loss) for the period	**3,453**		**3,453**
Other comprehensive income recyclable to profit or loss:			
- Effective portion of change in the fair value of cash flow hedges	(148)	(10)	(158)
- Income recognized in equity by companies accounted for using equity method	(12)	6	(6)
- Change in the fair value of financial investments available for sale	(81)	-	(81)
- Change in translation reserve	(2,168)	4	(2,164)
Other comprehensive income not recyclable to profit or loss:			
Change in net liabilities/(assets) in respect of defined-benefit plans	-	-	-
Income/(Loss) recognized directly in equity	**(2,409)**	-	**(2,409)**
Comprehensive income for the period	**1,044**	-	**1,044**
Pertaining to:			
- shareholders of the Parent Company	1,267	-	1,267
- non controlling interests	(223)	-	(223)

Condensed consolidated balance sheet

Millions of euro

	at Dec. 31, 2013	Effect of IFRS 11	Effect of IAS 32	PPA for Renewable Energy Division	at Dec. 31, 2013 restated
ASSETS					
Non-current assets					
Property, plant and equipment and intangible assets	99,445	(947)	-	1	98,499
Goodwill	15,015	(51)	-	3	14,967
Equity investments accounted for using the equity method	647	725	-	-	1,372
Other non-current assets	13,477	(60)	-	-	13,417
Total non-current assets	**128,584**	**(333)**	**-**	**4**	**128,255**
Current assets					
Inventories	3,586	(31)	-	-	3,555
Trade receivables	11,533	(118)	-	-	11,415
Tax receivables	1,735	(26)	-	-	1,709
Current financial assets	7,877	14	406	-	8,297
Other current assets	2,562	(42)	-	-	2,520
Cash and cash equivalents	8,030	(157)	-	-	7,873
Total current assets	**35,323**	**(360)**	**406**	**-**	**35,369**
Assets held for sale	**241**	**-**	**-**	**-**	**241**
TOTAL ASSETS	**164,148**	**(693)**	**406**	**4**	**163,865**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital	9,403	-	-	-	9,403
Other reserves	7,084	-	-	-	7,084
Retained earnings (loss carried forward)	19,454	-	-	-	19,454
Equity pertaining to the shareholders of the Parent Company	**35,941**	**-**	**-**	**-**	**35,941**
Non-controlling interests	**16,898**	**(7)**	**-**	**-**	**16,891**
Total shareholders' equity	**52,839**	**(7)**	**-**	**-**	**52,832**
Non-current liabilities					
Long-term loans	51,113	(208)	-	-	50,905
Post-employment and other employee benefits	3,696	(19)	-	-	3,677
Provisions for risks and charges	8,047	(76)	-	-	7,971
Deferred tax liabilities	10,905	(114)		4	10,795
Non-current financial liabilities	2,257	(41)	-	-	2,216
Other non-current liabilities	1,266	(7)	-	-	1,259
Total non-current liabilities	**77,284**	**(465)**	**-**	**4**	**76,823**
Current liabilities					
Short-term loans	2,529	(45)	-	-	2,484
Current portion of long-term loans	4,690	(32)	-	-	4,658
Trade payables	13,004	(81)	-	-	12,923
Income tax payable	308	(22)	-	-	286
Current financial liabilities	3,640	(6)	406	-	4,040
Other current liabilities	9,834	(35)	-	-	9,799
Total current liabilities	**34,005**	**(221)**	**406**	**-**	**34,190**
Liabilities held for sale	**20**	**-**	**-**	**-**	**20**
TOTAL LIABILITIES	**111,309**	**(686)**	**406**	**4**	**111,033**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**164,148**	**(693)**	**406**	**4**	**163,865**

Condensed consolidated statement of cash flows

Millions of euro	First nine months		
	2013	Effect of IFRS 11	2013 restated
Net income before taxes	**5,531**	**(50)**	**5,481**
Adjustments for:			
Depreciation, amortization and impairment losses of property, plant and equipment and intangible assets	4,186	(95)	4,091
Exchange rate adjustments of foreign currency assets and liabilities (including cash and cash equivalents)	(153)	-	(153)
Financial (income)/expense	1,619	3	1,622
Change in inventories, trade receivables and trade payables	(4,831)	(6)	(4,837)
Interest income/expense and other financial income/expense collected/paid	(2,014)	6	(2,008)
Other changes	(1,839)	175	(1,664)
Cash flows from operating activities (A)	**2,499**	**33**	**2,532**
Investments in property, plant and equipment and intangible assets	(3,702)	22	(3,680)
Investments in entities (or business units) less cash and cash equivalents acquired	(182)	4	(178)
Disposals of entities (or business units) less cash and cash equivalents sold	68	-	68
(Increase)/Decrease in other investing activities	29	(4)	25
Cash flows from (investing)/disinvesting activities (B)	**(3,787)**	**22**	**(3,765)**
Change in net financial debt	(135)	(76)	(211)
Receipts/(Outlays) for sale/(acquisition) of non-controlling interests	1,740	-	1,740
Dividends paid	(1,866)	-	(1,866)
Cash flows from financing activities (C)	**(261)**	**(76)**	**(337)**
Impact of exchange rate fluctuations on cash and cash equivalents (D)	**(200)**	**15**	**(185)**
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	**(1,749)**	**(6)**	**(1,755)**
Cash and cash equivalents at beginning of the period	9,933	(165)	9,768
Cash and cash equivalents at the end of the period	8,184	(171)	8,013

The following tables report the impact of the above restatement on the results of the business areas with respect to revenues, gross operating margin and operating income for the 3rd Quarter and the first nine months of 2013 and capital expenditure for the first nine months of that year.

Revenues

3rd Quarter 2013	Effect of IFRS 11	New environmental certificates policy	3rd Quarter 2013 restated	Millions of euro	First nine months 2013	Effect of IFRS 11	New environmental certificates policy	First nine months 2013 restated
3,975	-	-	3,975	Sales	12,687	-	-	12,687
5,453	(26)	-	5,427	Generation and Energy Management	17,605	(78)	-	17,527
1,813	-	-	1,813	Infrastructure and Networks	5,597	-	-	5,597
7,644	(62)	-	7,582	Iberia and Latin America	23,280	(183)		23,097
1,865	(352)	-	1,513	International	5,682	(1,067)	-	4,615
591	(13)	-	578	Renewable Energy	2,093	(44)	-	2,049
(2,349)	3	7	(2,339)	Other, eliminations and adjustments	(7,795)	5	54	(7,736)
18,992	**(450)**	**7**	**18,549**	**Total**	**59,149**	**(1,367)**	**54**	**57,836**

Gross operating margin

3rd Quarter 2013	Effect of IFRS 11	3rd Quarter 2013 restated	Millions of euro	First nine months 2013	Effect of IFRS 11	First nine months 2013 restated
201	-	201	Sales	678	-	678
297	(25)	272	Generation and Energy Management	964	(64)	900
931	-	931	Infrastructure and Networks	2,897	-	2,897
1,711	(26)	1,685	Iberia and Latin America	5,325	(74)	5,251
338	(24)	314	International	903	(80)	823
338	-	338	Renewable Energy	1,311	(6)	1,305
78	4	82	Other, eliminations and adjustments	109	3	112
3,894	**(71)**	**3,823**	**Total**	**12,187**	**(221)**	**11,966**

Operating income

3rd Quarter 2013	Effect of IFRS 11	3rd Quarter 2013 restated	Millions of euro	First nine months 2013	Effect of IFRS 11	First nine months 2013 restated
82	-	82	Sales	272	-	272
161	(17)	144	Generation and Energy Management	579	(41)	538
694	-	694	Infrastructure and Networks	2,173	-	2,173
929	(16)	913	Iberia and Latin America	3,105	(44)	3,061
209	(23)	186	International	471	(77)	394
181	1	182	Renewable Energy	848	33	881
54	4	58	Other, eliminations and adjustments	30	3	33
2,310	**(51)**	**2,259**	**Total**	**7,478**	**(126)**	**7,352**

Capital expenditure

Millions of euro	First nine months 2013	Effect of IFRS 11	First nine months 2013 restated
Sales	50	-	50
Generation and Energy Management	158	(3)	155
Infrastructure and Networks	723	-	723
Iberia and Latin America	1,305	(11)	1,294
International	593	-	593
Renewable Energy	831	(8)	823
Other, eliminations and adjustments	41	-	41
Total	**3,701**	**(22)**	**3,679**

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, 2014. 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.

Main changes in the scope of consolidation

At September 30, 2014, the scope of consolidation had changed with respect to that at September 30, 2013, and December 31, 2013, as a result of the following main transactions:

2013

> acquisition on March 22, 2013, of 100% of Parque Eólico Talinay Oriente, a company operating in the wind generation sector in Chile;
> acquisition on March 26, 2013, of 50% of PowerCrop, a company operating in the biomass generation sector; in view of the joint control exercised over the company together with another venturer, the company is accounted for using the equity method;
> disposal, on April 8, 2013, of 51% di Buffalo Dunes Wind Project, a company operating in the wind generation sector in the United States;
> acquisition, on May 22, 2013, of 26% of Chisholm View Wind Project and Prairie Rose Wind, two companies operating in the wind generation sector in the United States in which the Group held a stake of 49%; as a result of the purchase, the companies are no longer accounted for using the equity method but are now consolidated on a line-by-line basis;
> acquisition, on August 9, 2013, of 70% of Domus Energia (now Enel Green Power Finale Emilia), a company operating in the biomass generation sector;
> acquisition, on October 31, 2013, of 100% of Compañía Energética Veracruz, a company operating in the development of hydroelectric plants in Peru;
> disposal, on November 13, 2013, of 40% of Artic Russia, with the consequent deconsolidation of the interest held by the latter in SeverEnergia;
> acquisition, in November and December 2013, of nine companies (representing three business combinations) operating in the development of wind power projects in the United States;
> disposal, on December 20, 2013, of the remaining stake in Enel Rete Gas, previously accounted for using the equity method.

2014

> loss of control, as from January 1, 2014, of SE Hydropower, under agreements signed in 2010 upon the acquisition of the company, providing for the change in governance structure as from that date. This resulted in the Enel Group no longer meeting the requirements for control of the company, which has instead become an entity under joint control. With these new governance arrangements, the investment was reclassified as a joint operation under IFRS 11;

- acquisition, through a tender offer in effect between January 14, 2014 and May 16, 2014, of an additional 15.18% stake in Coelce, an electricity distribution company in Brazil, already under the Group's control prior to the tender offer;
- acquisition, on April 22, 2014, of 50% of Inversiones Gas Atacama, a company operating in the natural gas transport and electricity generation sector in Chile in which the Group already held 50%; therefore, the company is now consolidated on a line-by-line basis rather than using equity method accounting;
- acquisition, on May 12, 2014, of 26% of Buffalo Dunes Wind Project, a company operating in the wind generation sector in the United States in which the Group already held 49%; therefore, the company is now consolidated on a line-by-line basis rather than using equity method accounting.
- acquisition, on July 22, 2014, of the remaining 50% of Enel Green Power Solar Energy, an Italian company operating in the development, design, construction and operation of photovoltaic plants, in which the Group had previously held 50%; therefore, the company is now consolidated on a line-by-line basis rather than using equity method accounting;
- acquisition, on September 4, 2014, of the remaining 39% of Generandes Perú (previously controlled through a stake of 61%), a company that controls, with an interest of 54.20%, Edegel, a company operating in the power generation sector in Peru;
- acquisition, on September 17, 2014, of 100% of Osage Wind, a company that owns a wind project in the United States.

The following section details the main business combinations carried out in the 3rd Quarter of 2014.

Acquisition of Enel Green Power Solar Energy

Following up on the commitment undertaken with the agreement of July 11, 2014 with Sharp, on July 22, 2014, Enel Green Power acquired Sharp's interest in Enel Green Power & Sharp Solar Energy (now named Enel Green Power Solar Energy Srl), an equally held joint venture created to develop, build and operate photovoltaic plants using the solar panels produced by the 3SUN factory. The agreement, with an overall value of €30 million as determined by an independent appraiser, involved the acquisition of Sharp's 50% holding and the waiver by Sharp of its claim in respect of the shareholder loan it had made to Enel Green Power Solar Energy in the amount of €25 million.

Allocation of purchase price

Millions of euro	
Net assets acquired before the allocation	**10**
Adjustments for measurement at fair value	-
Net assets acquired after the allocation	**10**
Value of the business combination:	
- carrying amount of the interest held previously	5
- cost of the acquisition carried out in the 3rd Quarter of 2014	5
Total	**10**
Goodwill	**-**

As of the date of this Interim Financial Report, the process of determining the fair value of the assets acquired and the liabilities and contingent liabilities assumed with the transaction was still under way.

Increase of holding in Generandes Perú and Edegel

Under the terms of the agreement reached in April 2014, on September 4, 2014, Enersis, the Chilean company that leads operations in Latin America, completed the acquisition of 39% of Generandes Perú, a company already controlled with a stake of 61%, which in turn owns 54.2% of Edegel, a Peruvian company operating in the power generation sector.

In accordance with the provisions of IFRS 3 (Revised) for transactions involving non-controlling interests, the difference between the price paid, equal to $421 million (equal to €321 million at the transaction date) and the value of the assets acquired, previously allocated to non-controlling interests, was recognized directly in a specific consolidated equity reserve. The effects of the transaction were as follows:

Millions of euro	
Net assets acquired	233
Purchase price	321
Reserve for transactions in non-controlling interests	(88)

Acquisition of Osage Wind

On September 17, 2014, Enel Green Power North America signed an agreement with American Wind Capital for the acquisition of 100% of Osage Wind LLC, a company that owns a 150-MW wind power development project.

Millions of euro	
Property, plant and equipment	39
Current assets	11
Net assets acquired	**50**
Goodwill	-
Value of the transaction	**50**
Cash flow impact	50

As from September 30, 2014, the assets associated with the Osage project were reclassified, on the basis of management decisions, as assets held for sale, as they met the requirements of IFRS 5 for such classification.

As from October 1, 2014, the company is held under joint control following the disposal of a 50% stake.

Summary of results

Performance and financial position

3rd Quarter		Millions of euro	First nine months		
2014	2013 restated		**2014**	2013 restated	
17,974	18,549	Revenues	54,075	57,836	
3,730	3,823	Gross operating margin	11,608	11,966	
2,144	2,259	Operating income	7,155	7,352	
386	970	Net income before non-controlling interests	2,626	3,453	
272	655	Group net income	1,957	2,335	
		Group net income per share in circulation at period-end (euro)	0.21	0.25	
		Net capital employed	97,421	92,538	(1)
		Net financial debt	44,578	39,706	(1)
		Shareholders' equity (including non-controlling interests)	52,843	52,832	(1)
		Group shareholders' equity per share in circulation at period-end (euro)	3.86	3.82	(1)
		Cash flows from operating activities	2,930	2,532	
		Capital expenditure on tangible and intangible assets	4,012	3,679	(2)

(1) At December 31, 2013 restated.
(2) The figure for the first nine months of 2013 does not include €1 million regarding units classified as "held for sale".

Revenues in the first nine months of 2014 amounted to €54,075 million, a decrease of €3,761 million (-6.5%) on the same period of 2013, of which €1,219 million attributable to changes in the average exchange rates of the local currencies of various countries in which the Group operates with respect to the euro (notably Russia and the countries of Latin America). In addition to the effect of the appreciation of the euro, the decline is essentially attributable to a decline in revenues from the sale and transport of electricity, largely due a contraction in volumes generated and sold. Revenues for the first nine months of 2014 also include the adjustment to the sales price (€82 million) of Artic Russia, which was sold at the end of 2013, and the remeasurement at fair value (for a total of €82 million) of the net assets of a number of companies during the period following the loss or acquisition of control.

Millions of euro	First nine months			
	2014	2013 restated	Change	
Sales	11,382	12,687	(1,305)	-10.3%
Generation and Energy Management	15,111	17,527	(2,416)	-13.8%
Infrastructure and Networks	5,526	5,597	(71)	-1.3%
Iberia and Latin America	21,959	23,097	(1,138)	-4.9%
International	3,918	4,615	(697)	-15.1%
Renewable Energy	2,016	2,049	(33)	-1.6%
Other, eliminations and adjustments	(5,837)	(7,736)	1,899	-24.5%
Total	**54,075**	**57,836**	**(3,761)**	**-6.5%**

The **gross operating margin** in the first nine months of 2014 amounted to €11,608 million, a contraction of €358 million (-3.0%) on the same period of 2013. More specifically, excluding the gains on disposal and from remeasurement at fair value noted above, the decline in the performance of the Iberia and Latin America Division (which was adversely impacted by developments in exchange rates and regulatory changes in Spain) was only partly offset by the improvement in the margin on operations in Italy.

Millions of euro	First nine months			
	2014	2013 restated	Change	
Sales	758	678	80	11.8%
Generation and Energy Management	1,025	900	125	13.9%
Infrastructure and Networks	3,080	2,897	183	6.3%
Iberia and Latin America	4,536	5,251	(715)	-13.6%
International	778	823	(45)	-5.5%
Renewable Energy	1,312	1,305	7	0.5%
Other, eliminations and adjustments	119	112	7	6.2%
Total	**11,608**	**11,966**	**(358)**	**-3.0%**

Operating income in the first nine months of 2014 amounted to €7,155 million, down €197 million (-2.7%) on the same period of 2013, taking account of a decrease of €161 million in depreciation, amortization and impairment losses.

Millions of euro	First nine months			
	2014	2013 restated	Change	
Sales	338	272	66	24.3%
Generation and Energy Management	626	538	88	16.4%
Infrastructure and Networks	2,335	2,173	162	7.5%
Iberia and Latin America	2,442	3,061	(619)	-20.2%
International	479	395	84	21.3%
Renewable Energy	885	881	4	0.5%
Other, eliminations and adjustments	50	32	18	56.2%
Total	**7,155**	**7,352**	**(197)**	**-2.7%**

Group net income for the first nine months of 2014 amounted to €1,957 million, down from €2,335 million (-16.2%) in the same period of 2013. More specifically, the decline in operating income, an increase in net financial expense (largely associated with non-recurring items recognized in the two periods being compared) and the adverse impact on deferred taxation of the increase in tax rates in Chile were only partly offset by the beneficial effects of the reduction in the rate of the IRES (corporate income tax) surtax applied to a number of Italian companies – the so-called Robin Hood Tax – which was reduced from 10.5% to 6.5% as from January 2014.

Net capital employed, including net assets held for sale of €113 million, amounted to €97,421 million at September 30, 2014 (€92,538 million at December 31, 2013). It is funded by shareholders' equity attributable to shareholders of the Parent Company and non-controlling interests of €52,843 million and net financial debt of €44,578 million.

Net financial debt, excluding debt in respect of assets held for sale, amounted to €44,578 million at September 30, 2014. The change with respect to the €39,706 million registered at December 31, 2013, equal to €4,872 million, reflects the negative impact of changes in exchange rates from those prevailing at the end of 2013.

Capital expenditure amounted to €4,012 million in the first nine months of 2014, an increase of €333 million on the same period of 2013, essentially regarding renewables generation.

Millions of euro	First nine months				
	2014	2013 restated		Change	
Sales	69	50		19	38.0%
Generation and Energy Management	130	155		(25)	-16.1%
Infrastructure and Networks	696	723		(27)	-3.7%
Iberia and Latin America	1,424	1,294		130	10.0%
International	598	593		5	0.8%
Renewable Energy	1,060	823	(1)	237	28.8%
Other, eliminations and adjustments	35	41		(6)	-14.6%
Total	**4,012**	**3,679**		**333**	**9.1%**

(1) The figure for the first nine months of 2013 does not include €1 million regarding units classified as "held for sale".

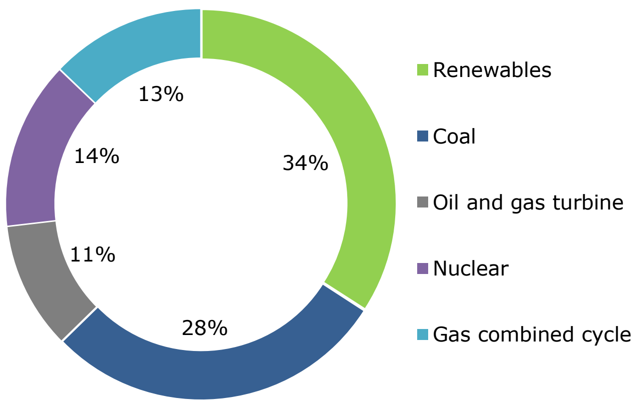
Operations

3rd Quarter							First nine months					
Italy	Abroad	**Total**	Italy	Abroad	**Total**		Italy	Abroad	**Total**	Italy	Abroad	**Total**
2014			2013 restated				**2014**			2013 restated		
18.3	56.5	**74.8**	18.8	55.7	**74.5**	Net electricity generated by Enel (TWh)	54.1	156.4	**210.5**	54.0	156.6	**210.6**
57.8	44.8	**102.6**	58.8	45.0	**103.8**	Electricity transported on the Enel distribution network (TWh)	167.2	130.3	**297.5**	172.0	130.4	**302.4**
22.1	43.5	**65.6**	23.8	45.5	**69.3**	Electricity sold by Enel (TWh) (1)	65.8	130.1	**195.9**	69.6	133.4	**203.0**
0.3	0.8	**1.1**	0.3	0.9	**1.2**	Gas sales to end users (billions of m^3)	2.4	3.1	**5.5**	2.9	3.2	**6.1**
						Employees at period-end (no.) (2) (3)	35,298	36,035	**71,333**	34,246	36,096	**70,342**

(1) Excluding sales to resellers.
(2) Of which 37 in units classified as "held for sale" at December 31, 2013.
(3) At December 31, 2013 restated.

Net electricity generated by Enel in the first nine months of 2014 was largely unchanged on the amount produced in the same period of 2013 (-0.1 TWh). More specifically, the decline registered abroad (-0.2 TWh) essentially reflects a decrease in nuclear and conventional thermal generation, only partly offset by greater generation from renewables. Finally, 34.0% of the electricity generated by Enel in the first nine months of 2014 was produced from renewable resources (32.7% in the first nine months 2013).

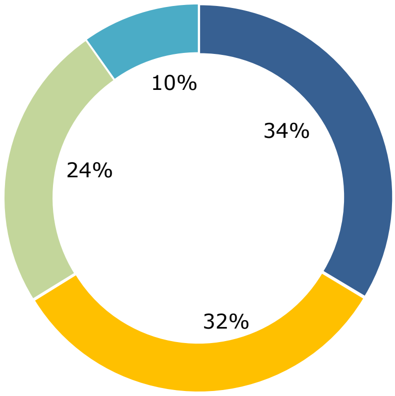
Net electricity generation by source (first nine months of 2014)



Electricity transported on the Enel distribution network in the first nine months of 2014 totaled 297.5 TWh, down 4.9 TWh or 1.6%, essentially reflecting the decline in the demand for electricity in Italy and Spain, only partially offset by the increase in electricity transported in Latin America.

Electricity sold by Enel in the first nine months of 2014 decreased by 7.1 TWh (-3.5%). The decline primarily reflects lower sales in Italy (-3.8 TWh) and Spain (-1.5 TWh), as a result of reduced demand, and in France (-3.4 TWh), owing to the decline in the volume of available capacity. These negative factors were only partly offset by greater sales in Latin America (+1.6 TWh), especially in Brazil and Chile.

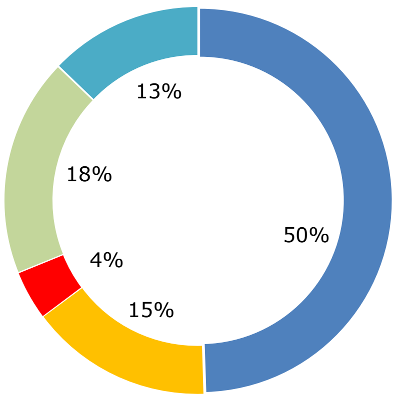
Electricity sold by geographical area (first nine months of 2014)



Gas sales in the first nine months of 2014 totaled 5.5 billion cubic meters, down 0.6 billion cubic meters on the same period of the previous year.

At September 30, 2014, Enel Group **employees** numbered 71,333, of whom about 51% employed abroad. The change of 991 is essentially accounted for by the positive balance between new hires and terminations (895) and changes in the scope of consolidation (96) following the acquisition of an additional 50% of Inversiones Gas Atacama (163), the change in the method used to consolidate SE Hydropower from full to proportionate following the loss of control as a result of changes in governance arrangements (-51) and other minor disposals (-16).

Employees by geographical area (at September 30, 2014)



No.

	at Sept. 30, 2014	at Dec. 31, 2013 restated
Sales	3,676	3,687
Generation and Energy Management	5,530	5,621
Infrastructure and Networks	18,955	17,689
Iberia and Latin America	22,902	22,541
International	10,882	11,439
Renewable Energy	3,616	3,469
Other, eliminations and adjustments	5,772	5,896
Total	**71,333**	70,342

Results by business area

As already mentioned in the description of the Enel organizational model, the representation of consolidated results under the Group's new organizational model will begin only from the start of 2015. Consequently, in this Interim Financial Report, the results by business area are discussed using the previous organizational structure, taking account of the provisions of IFRS 8 concerning the "management approach".

In addition, as described in the section "Restatement of the income statement and the balance sheet", amendments of a number of the IFRS-EU adopted by the Group and applicable retrospectively as from January 1, 2014, prompted the restatement, for comparative purposes only, of the performance for the first nine months of 2013 of the divisions and business areas of the Group. In addition, those changes led to appropriate adjustments of the operational data for those divisions and business areas, where affected, for the same period of 2013.

Results by business area for the 3rd Quarter of 2014 and 2013

3rd Quarter 2014 (1)

Millions of euro	Sales	GEM	Infra. & Networks	Iberia and Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	**Total**
Revenues from third parties	3,513	4,168	897	7,573	1,222	594	7	**17,974**
Revenues from other segments	21	665	909	13	74	57	(1,739)	**-**
Total revenues	**3,534**	**4,833**	**1,806**	**7,586**	**1,296**	**651**	**(1,732)**	**17,974**
Net income/(charges) from commodity risk management	1	(86)	-	(34)	1	22	(3)	**(99)**
Gross operating margin	**220**	**290**	**962**	**1,554**	**273**	**423**	**8**	**3,730**
Depreciation, amortization and impairment losses	139	172	253	737	107	156	22	**1,586**
Operating income	**81**	**118**	**709**	**817**	**166**	**267**	**(14)**	**2,144**

(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.

3rd Quarter 2013 (1)(2)

Millions of euro	Sales	GEM	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	**Total**
Revenues from third parties	3,874	4,414	807	7,570	1,361	515	8	**18,549**
Revenues from other segments	101	1,013	1,006	12	152	63	(2,347)	**-**
Total revenues	**3,975**	**5,427**	**1,813**	**7,582**	**1,513**	**578**	**(2,339)**	**18,549**
Net income/(charges) from commodity risk management	(23)	(101)	-	(9)	8	2	-	**(123)**
Gross operating margin	**201**	**272**	**931**	**1,685**	**314**	**338**	**82**	**3,823**
Depreciation, amortization and impairment losses	119	128	237	772	127	156	25	**1,564**
Operating income	**82**	**144**	**694**	**913**	**187**	**182**	**57**	**2,259**

(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) The figures have been restated as a result of the change, with retrospective effect, in the accounting treatment under the new IFRS 11, and in the accounting policy used for environmental certificates.

Results by business area for the first nine months of 2014 and 2013

First nine months of 2014 [1]

Millions of euro	Sales	GEM	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	Total
Revenues from third parties	11,302	12,505	2,714	21,904	3,680	1,840	130	**54,075**
Revenues from other segments	80	2,606	2,812	55	238	176	(5,967)	**-**
Total revenues	**11,382**	**15,111**	**5,526**	**21,959**	**3,918**	**2,016**	**(5,837)**	**54,075**
Net income/(charges) from commodity risk management	(32)	(120)	-	(5)	-	68	(4)	**(93)**
Gross operating margin	**758**	**1,025**	**3,080**	**4,536**	**778**	**1,312**	**119**	**11,608**
Depreciation, amortization and impairment losses	420	399	745	2,094	299	427	69	**4,453**
Operating income	**338**	**626**	**2,335**	**2,442**	**479**	**885**	**50**	**7,155**
Capital expenditure	**69**	**130**	**696**	**1,424**	**598**	**1,060**	**35**	**4,012**

(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.

First nine months of 2013 [1][2]

Millions of euro	Sales	GEM	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	Total
Revenues from third parties	12,511	13,783	2,548	23,050	4,146	1,756	42	**57,836**
Revenues from other segments	176	3,744	3,049	47	469	293	(7,778)	**-**
Total revenues	**12,687**	**17,527**	**5,597**	**23,097**	**4,615**	**2,049**	**(7,736)**	**57,836**
Net income/(charges) from commodity risk management	(72)	(145)	**-**	(187)	4	22	-	**(378)**
Gross operating margin	**678**	**900**	**2,897**	**5,251**	**823**	**1,305**	**112**	**11,966**
Depreciation, amortization and impairment losses	406	362	724	2,190	428	424	80	**4,614**
Operating income	**272**	**538**	**2,173**	**3,061**	**395**	**881**	**32**	**7,352**
Capital expenditure	**50**	**155**	**723**	**1,294**	**593**	**823** [3]	**41**	**3,679**

(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) The figures have been restated as a result of the change, with retrospective effect, in the accounting treatment under the new IFRS 11, and in the accounting policy used for environmental certificates.
(3) The figure does not include €1 million pertaining to units classified as "held for sale".

Sales

Operations

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2014	2013	Change			**2014**	2013	Change	
				Free market:				
6,420	6,700	(280)	-4.2%	- mass-market customers	18,963	19,353	(390)	-2.0%
2,760	2,430	330	13.6%	- business customers (1)	8,108	6,982	1,126	16.1%
352	471	(119)	-25.3%	- safeguard market customers	1,162	1,397	(235)	-16.8%
9,532	**9,601**	**(69)**	**-0.7%**	**Total free market**	**28,233**	**27,732**	**501**	**1.8%**
				Regulated market:				
12,411	14,012	(1,601)	-11.4%	- enhanced protection market customers	37,243	41,459	(4,216)	-10.2%
21,943	**23,613**	**(1,670)**	**-7.1%**	**TOTAL**	**65,476**	**69,191**	**(3,715)**	**-5.4%**

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

Electricity sold in the first nine months of 2014 amounted to 65,476 million kWh (21,943 million kWh in the 3rd Quarter of 2014), a decrease of 3,715 million kWh (-1,670 million kWh in the 3rd Quarter of 2014) on the corresponding period of the previous year. More specifically, the decline associated with lower sales on the regulated market, reflecting the ongoing shift of customers to the free market, was only partially offset by the rise in volumes sold to business customers. By contrast, electricity sales on the free market fell less markedly in the 3rd Quarter of 2014, where the increase in volumes sold to business customers was offset by a reduction in sales to mass-market customers and safeguard market customers.

Gas sales

3rd Quarter				Millions of m^3	First nine months			
2014	2013	Change			**2014**	2013	Change	
205	208	(3)	-1.4%	Mass-market customers (1)	2,004	2,389	(385)	-16.1%
104	117	(13)	-11.1%	Business customers	418	521	(103)	-19.8%
309	**325**	**(16)**	**-4.9%**	**Total**	**2,422**	**2,910**	**(488)**	**-16.8%**

(1) Includes residential customers and microbusinesses.

Gas sales in the first nine months of 2014 amounted to 2,422 million cubic meters (309 million cubic meters in the 3rd Quarter of 2014), a decrease of 488 million cubic meters on the same period of the previous year.
Gas sales in the 3rd Quarter of 2014 showed an analogous decline, with a marked decrease for business customers.

Performance

3rd Quarter				Millions of euro	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
3,534	3,975	(441)	-11.1%	Revenues	11,382	12,687	(1,305)	-10.3%
220	201	19	9.5%	Gross operating margin	758	678	80	11.8%
81	82	(1)	-1.2%	Operating income	338	272	66	24.3%
				Capital expenditure	69	50	19	38.0%

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2014 amounted to €3,534 million, a decrease of €441 million compared with the same period of 2013 (-11.1%), the result of the following main factors:

> a decrease of €251 million in revenues on the regulated electricity market, mainly reflecting the decline in volumes sold (-1.6 TWh);

> a decrease of €106 million in revenues on the free electricity market, essentially due to lower average sales prices applied to the various customer segments;

> a decrease of €17 million in revenues from sales to end users on the natural gas market.

The **gross operating margin** in the 3rd Quarter of 2014 came to €220 million, an increase of €19 million compared with the same period of 2013. This increase is essentially attributable to the higher margin on the free market for electricity.

Operating income in the 3rd Quarter of 2014, after depreciation, amortization and impairment losses of €139 million (€119 million in the same period of 2013), amounted to €81 million, in line with the 3rd Quarter of 2013.

Performance in the first nine months

Revenues in the first nine months of 2014 amounted to €11,382 million, a decrease of €1,305 million on the corresponding period of 2013 (-10.3%). That change reflects the following main factors:

> a decrease of €782 million in revenues on the regulated electricity market, largely associated with the decrease in quantities sold (-4.2 TWh) and a decline in rate revenues covering generation costs. The effects of these factors were only partially offset by the increase in revenues recognized in respect of the sales service and the positive impact of the recognition of prior-year items (€92 million), essentially relating to purchasing equalization for the previous year;

> a decrease of €311 million in revenues from sales to end users on the natural gas market, mainly due to the decrease in quantities sold;

> a decrease of €161 million in revenues on the free electricity market, essentially due to lower average sales prices applied to the various customer segments, only partially offset by an increase in volumes sold (+0.5 TWh).

The **gross operating margin** in the first nine months of 2014 totaled €758 million, an increase of €80 million compared with the first nine months of 2013 (+11.8%). More specifically, the change is attributable to:

> an €115 million increase in the margin on the free market for electricity and gas, due to an increase in unit margins for certain customer segments, partially offset by the higher costs associated with the acquisition of new customers;
> a €35 million decrease in the margin on the regulated electricity market, mainly due to the decline in services provided to the Infrastructure and Network Division and to the decrease in volumes sold, only partly offset by the increase in certain rate components and the aforementioned prior-year items.

Operating income in the first nine months of 2014 amounted to €338 million (an increase of €66 million compared with the same period of 2013), taking account of an increase of €14 million in depreciation, amortization and impairment losses.

Capital expenditure

Capital expenditure amounted to €69 million, up €19 million compared with the first nine months of 2013.

Generation and Energy Management

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
11,039	11,755	(716)	-6.1%	Thermal	30,962	31,603	(641)	-2.0%
3,991	4,118	(127)	-3.1%	Hydroelectric	12,791	13,206	(415)	-3.1%
3	3	-	-	Other resources	7	7	-	-
15,033	**15,876**	**(843)**	**-5.3%**	**Total net generation**	**43,760**	**44,816**	**(1,056)**	**-2.4%**
14,908	15,718	(810)	-5.2%	- of which Italy	43,328	43,831	(503)	-1.1%
125	158	(33)	-20.9%	- of which Belgium	432	985	(553)	-56.1%

In the first nine months of 2014, net electricity generation by the Generation and Energy Management business area amounted to 43,760 million kWh (15,033 million kWh in the 3rd Quarter of 2014), a decrease of 2.4% (-5.3% in the 3rd Quarter of 2014) compared with the same period of 2013 (-1,056 million kWh). The decrease in hydroelectric output (-415 million kWh) is largely due to the change in the scope of consolidation of SE Hydropower (-1,084 million kWh) following the changes in governance arrangements at that company, which led to the loss of control and a change in the method of accounting for the entity from full consolidation to proportionate consolidation as it now qualifies as a joint operation. The impact of this change was only partially offset by the rise in hydroelectric output (+669 million kWh) connected with the improved water conditions in the period.

Thermal generation in Italy decreased by 503 million kWh (-1.1%), attributable to the decline in demand and the rising weight of renewable energy in the domestic energy mix. Another factor was the decline in output in Belgium by the plant of Marcinelle Energie (-553 million kWh), which is operated through a tolling agreement, reflecting the unfavorable conditions in the northern European market. Developments in net generation showed a similar pattern in the 3rd Quarter of 2014.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2014		2013		Change			**2014**		2013		Change	
123	1.0%	107	0.8%	16	15.0%	High-sulfur fuel oil (S>0.25%)	389	1.2%	288	0.9%	101	35.1%
2	-	52	0.4%	(50)	-96.2%	Low-sulfur fuel oil (S<0.25%)	14	-	160	0.5%	(146)	-91.2%
125	*1.0%*	*159*	*1.2%*	*(34)*	*-21.4%*	*Total fuel oil*	*403*	*1.2%*	*448*	*1.4%*	*(45)*	*-10.0%*
2,263	19.1%	2,513	19.9%	(250)	-9.9%	Natural gas	5,525	16.5%	7,193	21.1%	(1,668)	-23.2%
9,378	79.1%	9,783	77.4%	(405)	-4.1%	Coal	27,110	81.1%	25,911	76.1%	1,199	4.6%
89	0.8%	184	1.5%	(95)	-51.6%	Other fuels	388	1.2%	478	1.4%	(90)	-18.8%
11,855	**100.0%**	**12,639**	**100.0%**	**(784)**	**-6.2%**	**TOTAL**	**33,426**	**100.0%**	**34,030**	**100.0%**	**(604)**	**-1.8%**

Gross thermal generation in the first nine months of 2014 totaled 33,426 million kWh (11,855 million kWh in the 3rd Quarter of 2014), a decrease of 604 million kWh (-1.8%) compared with the first nine months of 2013 (-6.2% in the 3rd Quarter of 2014). The decrease, which reflected all the major types of fuel with the exception of coal, was essentially due to the lower weight of conventional generation in the domestic generation mix, against a backdrop of falling demand for electricity due to the slowdown in the national economy.

Performance

3rd Quarter				Millions of euro	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
4,833	5,427	(594)	-10.9%	Revenues	15,111	17,527	(2,416)	-13.8%
290	272	18	6.6%	Gross operating margin	1,025	900	125	13.9%
118	144	(26)	-18.1%	Operating income	626	538	88	16.4%
				Capital expenditure	130	155	(25)	-16.1%

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2014 amounted to €4,833 million, a decrease of €594 million (-10.9%), compared with the same period of 2013. This decrease was largely attributable to the following factors:

> the €1,014 million decrease in revenues from electricity sales, mainly due to lower revenues from sales on the Power Exchange (down €968 million), as well as the decline in revenues from electricity sales to other Group divisions (€304 million), only partially offset by the increase in revenues from electricity sales to other domestic resellers (€194 million);

> a decline of €150 million in revenues from trading on international electricity markets, essentially associated with a decrease in volumes handled;

> a €582 million increase in revenues from fuel trading, mainly attributable to natural gas transactions.

The **gross operating margin** in the 3rd Quarter of 2014 totaled €290 million, an increase of €18 million (+6.6%) compared with the €272 million posted in the 3rd Quarter of 2013. This increase is essentially the result of:

> an increase of €65 million in the margin on sales and trading of natural gas and other commodities;

> a decrease of €34 million in the generation margin, mainly due to the decline in electricity sales prices;

> the net negative impact of the end of period measurement of outstanding commodity risk hedging instruments, as well as increased operating expenses.

Operating income totaled €118 million (€144 million in the 3rd Quarter of 2013), taking account of an increase of €44 million in depreciation, amortization and impairment losses, which reflect the writedown of non-current assets under construction (€46 million) as a result of the abandonment of the project to convert the Porto Tolle plant from oil to coal.

Performance in the first nine months

Revenues in the first nine months of 2014 amounted to €15,111 million, a decrease of €2,416 million (-13.8%) compared with the same period of 2013. This decrease is mainly attributable to the following factors:

> a €3,250 million decrease in revenues from electricity sales, mainly due to lower revenues from sales on the Power Exchange (€3,158 million), essentially as a result of a decline in volumes generated and lower average sales prices, as well as lower revenues (€745 million) from electricity

sales to other Group companies, in particular the Italian companies operating in end-user markets. These factors were only partially offset by the increase in revenues from electricity sales to other domestic resellers (€675 million);

> a decline of €635 million in revenues from trading on international electricity markets, essentially associated with a decrease in volumes handled (-4.6 TWh);
> a €1,332 million increase in revenues from fuel trading, essentially attributable to handling larger volumes of natural gas (€1,372 million);
> gains of €50 million from the remeasurement at fair value of the portion of the assets and liabilities of SE Hydropower corresponding to the Group's stake in that company following the loss of control as a result of changes in governance arrangements as from January 1, 2014. These revenues were only partially offset by the decrease in the contribution of the company (€37 million) to division revenues as a result of the change in the method of consolidation mentioned above;
> an increase of €153 million in revenues from the sale of green certificates, only partially offset by lower revenues from the sale of CO_2 emissions allowances in the amount of €115 million.

The **gross operating margin** in the first nine months of 2014 totaled €1,025 million, an increase of €125 million (+13.9%) on the €900 million registered in the first nine months of 2013. That change is essentially attributable to:

> an increase of €127 million in the margin on sales and trading of natural gas and other commodities;
> the gain of €50 million from the remeasurement at fair value of the assets of SE Hydropower, partially offset by a decrease in the margin due to the change in the scope of consolidation (€13 million);
> a decrease of €30 million in the generation margin, mainly due to the decline in electricity sales prices and the net negative impact of hedging instruments, only partially offset by the improvement in the generation mix as a result of improved water availability conditions and lower costs for environmental certificates;
> higher operating expenses, only partially offset by the net positive impact of the end of period measurement of outstanding commodity risk hedging instruments.

Operating income totaled €626 million, up €88 million (+16.4%) on the €538 million posted in the same period of 2013, taking account of an increase of €37 million in depreciation, amortization and impairment losses, which reflect the writedown of non-current assets under construction (€46 million) as a result of the abandonment of the project to convert the Porto Tolle plant from oil to coal.

Capital expenditure

Capital expenditure in the first nine months of 2014 amounted to €130 million, including €121 million for generation plants. The primary investments in the first nine months of 2014 related to the continuation of work on thermal plants, including the construction of the new Porto Empedocle plant, sundry works at the Brindisi plant, the completion of the coal conversion of the Torrevaldaliga Nord plant and other work on the Soverzene and Gerosa plants.

Infrastructures and Networks

Operations

Transport of electricity

3rd Quarter				Millions of kWh	First nine months			
2014	2013	Change			**2014**	2013	Change	
57,801	58,818	(1,017)	-1.7%	Electricity transported on Enel's distribution network (millions of kWh) [1]	167,209	171,956	(4,747)	-2.8%

(1) The figures for the first nine months and the 3rd Quarter of 2013 take account of a more accurate calculation of quantities transported.

Electricity transported on the Enel network in Italy in the first nine months of 2014 decreased by 4,747 million kWh (-2.8%), going from 171,956 million kWh in the first nine months of 2013 to 167,209 million kWh in the first nine months of 2014. This decrease essentially reflects the decline in domestic demand for electricity.

Developments were similar in the 3rd Quarter of 2014, with 57,801 million kWh of electricity transported, a decrease of 1,017 million kWh (-1.7%) compared with the same period of 2013.

Performance

3rd Quarter				Millions of euro	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
1,806	1,813	(7)	-0.4%	Revenues	5,526	5,597	(71)	-1.3%
962	931	31	3.3%	Gross operating margin	3,080	2,897	183	6.3%
709	694	15	2.2%	Operating income	2,335	2,173	162	7.5%
				Capital expenditure	696	723	(27)	-3.7%

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2014 amounted to €1,806 million, a decrease of €7 million (-0.4%) compared with the same period of the previous year. This change is essentially due to:

> a decrease of €38 million in revenues from the recognition of adjustments and estimate revisions;

> a decrease of €16 million in connection fees;

> an increase of €7 million in rate revenues, essentially attributable to the increase in distribution rates following Authority Resolution 154/2014;

> an increase of €46 million in revenues for grants from the Electricity Equalization Fund for the sale of white certificates.

The **gross operating margin** amounted to €962 million, an increase of €31 million (+3.3%), essentially attributable to:

> an increase of €76 million in the margin on white certificates due to the cost reimbursement mechanism for the purchase of such certificates as a result of the changes introduced by Authority Resolution 13/2014;

> a decrease of €26 million in the margin on the transport of electricity, mainly associated with the decline in volumes transported, only partially offset by an increase in distribution rates;

> a decrease of €15 million in fees for connections to new customers.

Operating income, after depreciation, amortization and impairment losses of €253 million (€237 million in the 3rd Quarter of 2013) totaled €709 million, an increase of €15 million on the corresponding period of the previous year (+2.2%).

Performance in the first nine months

Revenues in the first nine months of 2014 amounted to €5,526 million, a decrease of €71 million (-1.3%) on the same period of 2013. This change is mainly attributable to:

> a decrease of €94 million in revenues from the recognition of adjustments and estimate revisions in previous years;
> a decrease of €78 million in connection fees;
> a decrease of €8 million in rate revenues, essentially attributable to the decline in volumes transported compared with the same period of 2013, only partially offset by an increase in distribution rates following Authority Resolution 154/2014;
> an increase of €89 million in revenues for grants from the Electricity Equalization Fund for the sale of white certificates;
> an increase of €16 million in revenues for public lighting services.

The **gross operating margin** amounted to €3,080 million, an increase of €183 million (+6.3%), essentially attributable to:

> an increase of €260 million in the margin on white certificates due to the cost reimbursement mechanism for the purchase of such certificates noted above in the comments on the performance in the 3rd Quarter of 2014;
> a positive adjustment of €63 million in the provision for risks and charges following the settlement agreement between Enel Distribuzione, A2A and A2A Reti Elettriche, which provided for Enel Distribuzione to pay €89 million to A2A Reti Elettriche, with the waiver by the latter of any further claim;
> a decrease of €78 million in fees for connections to new customers;
> a decrease of €43 million in the margin on the transport of electricity, mainly associated with the decline in volumes transported, only partially offset by an increase in distribution rates.

Operating income, after depreciation, amortization and impairment losses of €745 million (€724 million in the first nine months of 2013), totaled €2,335 million, an increase of €162 million compared with the same period of 2013 (+7.5%).

Capital expenditure

Capital expenditure in the first nine months of 2014 amounted to €696 million, a decrease of €27 million on the corresponding period of the previous year. The decrease is mainly accounted for by a reduction in expenditure on connections for customers and generation plants, only partially offset by higher expenditure on service quality.

Iberia and Latin America

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
18,510	18,837	(327)	-1.7%	Thermal	45,952	46,594	(642)	-1.4%
5,998	7,162	(1,164)	-16.3%	Nuclear	18,576	19,905	(1,329)	-6.7%
11,877	10,077	1,800	17.9%	Hydroelectric	32,175	30,072	2,103	7.0%
39	39	-	-	Wind	109	109	-	-
36,424	**36,115**	**309**	**0.9%**	**Total net generation**	**96,812**	**96,680**	**132**	**0.1%**
19,727	20,048	(321)	-1.6%	- of which Iberian peninsula	51,705	51,904	(199)	-0.4%
3,827	4,132	(305)	-7.4%	- of which Argentina	10,982	10,957	25	0.2%
1,352	1,415	(63)	-4.5%	- of which Brazil	3,825	3,631	194	5.3%
4,829	5,216	(387)	-7.4%	- of which Chile	12,995	14,325	(1,330)	-9.3%
4,354	3,207	1,147	35.8%	- of which Colombia	10,467	9,573	894	9.3%
2,335	2,097	238	11.3%	- of which Peru	6,838	6,290	548	8.7%

Net electricity generation amounted to 96,812 million kWh in the first nine months of 2014, an increase of 132 million kWh compared with the same period of 2013.
In the first nine months of 2014, net electricity generation in the Iberian peninsula fell by 199 million kWh (-0.4%), mainly attributable to greater conventional thermal generation, more than offset by a contraction in hydroelectric generation (-10.4%) and a reduction in nuclear generation (-6.7%).
In Latin America, net electricity generation posted an increase of 331 million kWh, mainly as a result of higher hydroelectric output in Colombia, Brazil and Chile, partially offset by the decrease in thermal generation in Chile, associated with the stoppage of the Bocamina II plant and maintenance work on the San Isidro plant.
In the 3rd Quarter of 2014, net electricity generation amounted to 36,424 million kWh, an increase of 309 million kWh (+0.9%) compared with the same period of 2013. More specifically, net generation in the Iberian peninsula fell by 321 million kWh (-1.6%), mainly attributable to lower nuclear generation, partially offset by an increase in thermal generation. This was more than offset by higher hydroelectric output in Colombia and Peru.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2014		2013 restated		Change			**2014**		2013 restated		Change	
1,950	7.6%	2,394	8.8%	(444)	-18.5%	High-sulfur fuel oil (S>0.25%)	5,392	8.0%	5,995	8.6%	(603)	-10.1%
5,803	22.5%	5,150	19.0%	653	12.7%	Natural gas	17,831	26.4%	16,892	24.3%	939	5.6%
9,919	38.5%	9,686	35.7%	233	2.4%	Coal	20,374	30.2%	20,495	29.5%	(121)	-0.6%
6,262	24.3%	7,478	27.5%	(1,216)	-16.3%	Nuclear fuel	19,335	28.6%	20,737	29.9%	(1,402)	-6.8%
1,821	7.1%	2,447	9.0%	(626)	-25.6%	Other fuels	4,586	6.8%	5,327	7.7%	(741)	-13.9%
25,755	**100.0%**	**27,155**	**100.0%**	**(1,400)**	**-5.2%**	**Total**	**67,518**	**100.0%**	**69,446**	**100.0%**	**(1,928)**	**-2.8%**

Gross thermal generation in the first nine months of 2014 amounted to 67,518 million kWh (25,755 million kWh in the 3rd Quarter of 2014), a decrease of 1,928 million kWh compared with the same period of the previous year (-1,400 million kWh in the 3rd Quarter of 2014), essentially due to a decline in the use of nuclear fuel and other fuels, only partially offset by the rise in output from natural gas.

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
25,274	26,303	(1,029)	-3.9%	Free market	75,304	76,711	(1,407)	-1.8%
14,306	14,153	153	1.1%	Regulated market	42,645	41,198	1,447	3.5%
39,580	**40,456**	**(876)**	**-2.2%**	**Total**	**117,949**	**117,909**	**40**	**-**
23,835	24,957	(1,122)	-4.5%	- of which Iberian peninsula	70,921	72,453	(1,532)	-2.1%
3,860	3,988	(128)	-3.2%	- of which Argentina	11,251	11,104	147	1.3%
4,789	4,558	231	5.1%	- of which Brazil	14,693	13,824	869	6.3%
3,377	3,336	41	1.2%	- of which Chile	9,973	9,744	229	2.4%
2,086	2,029	57	2.8%	- of which Colombia	6,115	5,961	154	2.6%
1,633	1,588	45	2.8%	- of which Peru	4,996	4,823	173	3.6%

Electricity sales to end users in the first nine months of 2014 amounted to 117,949 million kWh (39,580 million kWh in the 3rd Quarter of 2014), a rise of 40 million kWh compared with the same period of 2013 (-876 million kWh in the 3rd Quarter of 2014). The decline in amounts sold in the Iberian peninsula (-1,532 million kWh) as a result of the continuing recession, was more than offset by the increase in sales in Latin America (1,572 million kWh), as a result of the expansion of electricity demand, particularly in Brazil and Chile.

Performance

3rd Quarter				Millions of euro	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
7,586	7,582	4	0.1%	Revenues	21,959	23,097	(1,138)	-4.9%
1,554	1,685	(131)	-7.8%	Gross operating margin	4,536	5,251	(715)	-13.6%
817	913	(96)	-10.5%	Operating income	2,442	3,061	(619)	-20.2%
				Capital expenditure	1,424	1,294	130	10.0%

Performance in the 3rd Quarter

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2014	2013 restated	Change	**2014**	2013 restated	Change	**2014**	2013 restated	Change
Europe	5,193	5,491	(298)	782	869	(87)	283	409	(126)
Latin America	2,393	2,091	302	772	816	(44)	534	504	30
Total	**7,586**	**7,582**	**4**	**1,554**	**1,685**	**(131)**	**817**	**913**	**(96)**

Revenues in the 3rd Quarter of 2014 increased by €4 million as a result of:

> an increase of €302 million in revenues in Latin America, due to:
  – a modification, taking effect as from July 2013 (effective retroactively from February 2013), of the regulatory framework in Argentina (Resolución no. 95/2013) concerning the fuel used in generation plants, which are supplied by CAMMESA and for which the associated costs were deducted directly from revenues from the sale of electricity;
  – higher revenues from electricity sales in Peru and Colombia;

> a decrease of €298 million in revenues in Europe, essentially attributable to the reduction in volumes sold due to the decline in demand for electricity.

The **gross operating margin** amounted to €1,554 million, a decrease of €131 million (-7.8%) compared with the same period of 2013, as a result of:

> a decrease of €87 million in the gross operating margin in Europe, essentially the result of the decline in the generation and distribution margins, mainly associated with regulatory changes;

> a decrease of €44 million in the gross operating margin in Latin America, attributable to the unfavorable developments in the exchange rates between the euro and local currencies and to the difference in grants received under the *Mecanismo de Monitoreo de Costes*.

Operating income in the 3rd Quarter of 2014, taking into account depreciation, amortization and impairment losses amounting to €737 million (€772 million in the 3rd Quarter of 2013), amounted to €817 million, a decrease of €96 million compared with the same period of 2013.

Performance in the first nine months

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2014	2013 restated	Change	**2014**	2013 restated	Change	**2014**	2013 restated	Change
Europe	15,074	15,933	(859)	2,510	2,697	(187)	1,104	1,326	(222)
Latin America	6,885	7,164	(279)	2,026	2,554	(528)	1,338	1,735	(397)
Total	**21,959**	**23,097**	**(1,138)**	**4,536**	**5,251**	**(715)**	**2,442**	**3,061**	**(619)**

Revenues in the first nine months of 2014 decreased by €1,138 million as a result of:

> a decrease of €859 million in revenues in Europe, essentially attributable to:
  – the decline in demand for electricity, which had a negative effect on volumes generated and sold in the end market, in an environment of lower average wholesale and end market prices;
  – the decline in grants for extra-peninsular generation, which also reflected the non-recognition, in light of certain retrospective interpretations of Royal Decree Law 9/2013, of a number of costs incurred in 2012 and 2013;
  – a net decrease in rate revenues from distribution following the introduction of Royal Decree Law 9/2013;

> a decrease of €279 million in revenues in Latin America, essentially attributable to:
  – a decrease of €238 million in revenues in Argentina from government grants under the *Mecanismo Monitoreo de Costes*;
  – the modification of the regulatory framework in Argentina concerning the costs of procuring the fuel used in generation plants, which is supplied by CAMMESA and deducted directly from revenues from the sale of electricity.

These factors were only partially offset by an increase in revenues from the sale of electricity due to higher volumes generated and higher unit prices, only partially offset by unfavorable developments in exchange rates between the euro and the various local currencies.

The **gross operating margin** amounted to €4,536 million, a decrease of €715 million (-13.6%) compared with the same period of 2013 as a result of:

> a decrease of €187 million in the gross operating margin in Europe, largely due to:
  - a decrease of €396 million in the margin on regulated businesses, reflecting in particular the reduction in the margin on extra-peninsular generation (€285 million), which was adversely impacted by regulatory changes and the margin on electricity distribution (€83 million);
  - an increase of €100 million in the margin on unregulated businesses, due essentially to lower electricity purchase costs as a result of the reduction in average purchase prices (€136 million) and an increase of €104 million in the margin on gas distribution, only partly offset by the negative impact of the reduction in average sales prices, the positive adjustment in the 1st Quarter of 2013 of provisions for litigation concerning the dispute with E.ON over the contract for the purchase of the Los Barrios plant (€29 million), and the increase in the provision for the *Bono social* (€79 million) following the issue of Ministerial Order 350/2014;
  - a reduction of €109 million in operating costs;

> a decrease of €528 million in the gross operating margin in Latin America, attributable:
  - to the unfavorable developments in exchange rates, which had an especially large impact on performance in Colombia, Brazil and Argentina, essentially offset by the improvement in margins reflecting an increase in volumes generated in an environment of rising prices;
  - to higher operating costs incurred in Argentina to handle service interruptions caused by the heat emergency in early 2014, and to the difference in grants received by Edesur under the *Mecanismo de Monitoreo de Costes*.

Operating income in the first nine months of 2014 amounted to €2,442 million, a decrease of €619 million compared with the same period of 2013, in line with the gross operating margin. Depreciation, amortization and impairment losses came to €2,094 million in the first nine months of 2014, down €96 million compared with the same period of 2013.

Capital expenditure

Capital expenditure amounted to €1,424 million, an increase of €130 million on the corresponding period of the previous year. More specifically, capital expenditure in the first nine months of 2014 primarily concerned work on the distribution network (€592 million, of which €307 million in Europe and €285 million in Latin America). Investment in generation plants (€557 million) focused primarily on the construction of the El Quimbo hydroelectric plant in Colombia.

International

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2014	2013	Change			**2014**	2013	Change	
11,230	11,240	(10)	-0.1%	Thermal	32,437	32,656	(219)	-0.7%
3,722	3,757	(35)	-0.9%	Nuclear	10,772	10,914	(142)	-1.3%
1,292	940	352	37.4%	Hydroelectric	3,189	3,857	(668)	-17.3%
4	14	(10)	-71.4%	Other resources	32	42	(10)	-23.8%
16,248	**15,951**	**297**	**1.9%**	**Total net generation**	**46,430**	**47,469**	**(1,039)**	**-2.2%**
10,830	10,786	44	0.4%	- of which Russia	31,172	31,261	(89)	-0.3%
5,418	5,165	253	4.9%	- of which Slovakia	15,258	16,208	(950)	-5.9%

Net electricity generation in the first nine months of 2014 amounted to 46,430 million kWh (16,248 million kWh in the 3rd Quarter of 2014), a decrease of 1,039 million kWh compared with the same period of 2013 (+297 million kWh in the 3rd Quarter of 2014). The change in the first nine months of the year is mainly attributable to the decline in hydroelectric generation in Slovakia, due to poorer water conditions during the period, and thermal generation in Russia, due to a number of stoppages for technical reasons at the Reftinskaya plant. The results for the 3rd Quarter show signs of recovery in both countries, essentially due to hydroelectric generation in Slovakia.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2014		2013		Change			**2014**		2013		Change	
79	0.5%	61	0.4%	18	29.5%	High-sulfur fuel oil (S>0.25%)	147	0.3%	96	0.2%	51	53.1%
6,775	42.7%	6,131	38.6%	644	10.5%	Natural gas	18,304	39.9%	17,373	37.6%	931	5.4%
4,996	31.5%	5,660	35.6%	(664)	-11.7%	Coal	15,818	34.5%	17,029	36.8%	(1,211)	-7.1%
4,002	25.3%	4,038	25.4%	(36)	-0.9%	Nuclear fuel	11,581	25.3%	11,733	25.4%	(152)	-1.3%
15,852	**100.0%**	**15,890**	**100.0%**	**(38)**	**-0.2%**	**Total**	**45,850**	**100.0%**	**46,231**	**100.0%**	**(381)**	**-0.8%**

Gross thermal generation in the first nine months of 2014 fell by 381 million kWh (-38 million kWh in the 3rd Quarter of 2014) to 45,850 million kWh (15,852 million kWh in the 3rd Quarter of 2014). The decrease is essentially attributable to the decline in generation from coal in Russia, only partly offset by the increase in generation from natural gas during the period.

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
2,565	3,382	(817)	-24.2%	Free market	7,648	10,036	(2,388)	-23.8%
1,372	1,710	(338)	-19.8%	Regulated market	4,481	5,490	(1,009)	-18.4%
3,937	**5,092**	**(1,155)**	**-22.7%**	**Total**	**12,129**	**15,526**	**(3,397)**	**-21.9%**
1,957	2,136	(179)	-8.4%	- of which Romania	6,094	6,562	(468)	-7.1%
816	1,915	(1,099)	-57.4%	- of which France	2,581	5,938	(3,357)	-56.5%
1,164	1,041	123	11.8%	- of which Slovakia	3,454	3,026	428	14.1%

Electricity sold by the International Division in the first nine months of 2014 amounted to 12,129 million kWh (3,937 million kWh in the 3rd Quarter of 2014), a decline of 3,397 million kWh attributable to:

> a decrease of 3,357 million kWh (-1,099 million kWh in the 3rd Quarter of 2014) in sales posted by Enel France, mainly a result of the reduction in available capacity;

> a decrease of 468 million kWh (-179 million kWh in the 3rd Quarter of 2014) in sales in Romania, as a result of the gradual liberalization of the business market, which was completed at the end of 2013;

> an increase of 428 million kWh (123 million kWh in the 3rd Quarter of 2014) in sales in Slovakia.

Performance

3rd Quarter				Millions of euro	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
1,296	1,513	(217)	-14.3%	Revenues	3,918	4,615	(697)	-15.1%
273	314	(41)	-13.1%	Gross operating margin	778	823	(45)	-5.5%
166	187	(21)	-11.2%	Operating income	479	395	84	21.3%
				Capital expenditure	598	593	5	0.8%

Performance in the 3rd Quarter

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2014	2013 restated	Change	**2014**	2013 restated	Change	**2014**	2013 restated	Change
Central Europe	665	828	(163)	103	132	(29)	64	78	(14)
South-eastern Europe	237	266	(29)	77	91	(14)	50	57	(7)
Russia	394	419	(25)	93	91	2	52	52	-
Total	**1,296**	**1,513**	**(217)**	**273**	**314**	**(41)**	**166**	**187**	**(21)**

Revenues in the 3rd Quarter 2014 decreased by €217 million (-14.3%), going from €1,513 million to €1,296 million. This was mainly the product of:

> a decrease of €163 million in revenues in central Europe, essentially due to decreases in Slovakia (€83 million) and a decline in available capacity in France (€82 million);

> a decrease of €29 million in revenues in south-eastern Europe, entirely attributable to Romania;

> a decrease of €25 million in revenues in Russia, attributable to the depreciation of the ruble against the euro, the effect of which was only partially offset by an increase in revenues from sales.

The **gross operating margin** amounted to €273 million, down €41 million compared with the 3rd Quarter of 2013. This performance reflected:

> an improvement of €2 million in the gross operating margin in Russia as a result of the higher margin on sales and generation;

> a decrease of €14 million in the gross operating margin in south-eastern Europe, attributable to a deterioration in the margin on electricity posted in Romania by the sales companies as a result of the introduced of a tax on special construction starting from the current period;

> a decrease of €31 million in the gross operating margin in Slovakia, mainly due to lower average sales prices.

Operating income in the 3rd Quarter of 2014 amounted to €166 million, a decrease of €21 million (-11.2%) compared with the same period of 2013, taking account of a decrease of €20 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		
	2014	2013 restated	Change	**2014**	2013 restated	Change	**2014**	2013 restated	Change
Central Europe	2,010	2,550	(540)	276	276	-	162	94	68
South-eastern Europe	746	835	(89)	223	252	(29)	154	160	(6)
Russia	1,162	1,230	(68)	279	295	(16)	163	141	22
Total	**3,918**	**4,615**	**(697)**	**778**	**823**	**(45)**	**479**	**395**	**84**

Revenues in the first nine months of 2014 came to €3,918 million, a decrease of €697 million (-15.1%) on the corresponding period of the previous year. This was the product of:

> a decrease of €540 million in revenues in central Europe, mainly due to decreases in Slovakia (€285 million) as a result of the decline in average sales prices and in France (€256 million) owing to a decrease in quantities of electricity sold;

> a decrease of €89 million in revenues in south-eastern Europe, essentially as a result of the decline in the average sales prices in Romania;

> a decrease of €68 million in revenues in Russia, attributable to the depreciation of the ruble against the euro, the effect of which was only partially offset by an increase in the average sales prices.

The **gross operating margin** amounted to €778 million, a decrease of €45 million compared with the first nine months of 2013. This reflected:

> the decrease in the gross operating margin in Central Europe, more specifically, in Slovakia (-€116 million) and in France and Belgium (-€7 million). This decline was entirely offset by the impact of the recognition of provisions for litigation concerning a number of investments in foreign entities in the first nine months of 2013;

> a decrease of €16 million in the gross operating margin in Russia, essentially attributable to the impact of the depreciation of the ruble against the euro, only partially offset by an improvement in the margin on electricity owing to higher average sales prices;
> a decrease of €29 million in the gross operating margin in south-eastern Europe, essentially attributable to a deterioration in the performance posted in Romania by the electricity distribution companies.

Operating income in the first nine months of 2014 amounted to €479 million, an increase of €84 million (21.3%) compared with the same period of 2013, taking account of €299 million in depreciation, amortization and impairment losses. The €129 million decrease in depreciation, amortization and impairment losses benefitted from the movement in exchange rates and the extension of the useful life of nuclear plants in Slovakia undertaken at the end of 2013.

Capital expenditure

Capital expenditure amounted to €598 million, an increase of €5 million compared with the same period of 2013, essentially attributable to an increase in investments in conventional thermal and nuclear plants, partially offset by a decrease in investments in distribution networks.

Renewable Energy

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
2,682	2,471	211	8.5%	Hydroelectric	8,690	8,466	224	2.6%
1,484	1,405	79	5.6%	Geothermal	4,427	4,141	286	6.9%
2,726	2,412	314	13.0%	Wind	10,036	8,468	1,568	18.5%
163	202	(39)	-19.3%	Other resources	373	575	(202)	-35.1%
7,055	**6,490**	**565**	**8.7%**	**Total**	**23,526**	**21,650**	**1,876**	**8.7%**
3,344	3,033	311	10.3%	- of which Italy	10,806	10,139	667	6.6%
758	906	(148)	-16.3%	- of which Iberian peninsula	3,250	3,390	(140)	-4.1%
56	62	(6)	-9.7%	- of which France	266	232	34	14.7%
109	135	(26)	-19.3%	- of which Greece	369	441	(72)	-16.3%
284	256	28	10.9%	- of which Romania and Bulgaria	935	791	144	18.2%
1,328	1,165	163	14.0%	- of which United States and Canada	4,852	3,822	1,030	26.9%
788	607	181	29.8%	- of which Panama, Mexico, Guatemala and Costa Rica	1,992	1,997	(5)	-0.3%
385	326	59	18.1%	- of which Brazil and Chile	1,053	838	215	25.7%
3	-	3	-	-other	3	-	3	-

Net electricity generation by the division amounted to 23,526 million kWh in the first nine months of 2014 (7,055 million kWh in the 3rd Quarter of 2014), an increase of 1,876 million kWh (+565 million kWh in the 3rd Quarter of 2014). The increase includes a rise of 1,209 million kWh in generation abroad, mainly from wind generation in North America (+1,215 million kWh, connected with the consolidation of Buffalo Dunes Wind Project), Chile (+200 million kWh), as a result of the expansion of installed capacity, Romania (+127 million kWh) and Mexico (+63 million kWh). These effects were partially offset by a decline in hydroelectric generation in Panama (-174 million kWh). Electricity generation in Italy in the first nine months of 2014 increased by 667 million kWh on the same period of 2013, reflecting an increase in hydroelectric generation (+510 million kWh thanks to more favorable water conditions) and in geothermal generation (+175 million kWh).
A similar, albeit less marked, pattern was registered in the 3rd Quarter of 2014.

Performance

3rd Quarter				Millions of euro	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
651	578	73	12.6%	Revenues	2,016	2,049	(33)	-1.6%
423	338	85	25.1%	Gross operating margin	1,312	1,305	7	0.5%
267	182	85	46.7%	Operating income	885	881	4	0.5%
				Capital expenditure	1,060	823 (1)	237	28.8%

(1) The figure for the first nine months of 2013 does not include €1 million pertaining to 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		
	2014	2013 restated	Change	**2014**	2013 restated	Change	**2014**	2013 restated	Change
Europe	445	412	33	334	262	72	228	154	74
Latin America	126	87	39	42	36	6	25	25	-
North America	80	79	1	47	40	7	14	3	11
Total	**651**	**578**	**73**	**423**	**338**	**85**	**267**	**182**	**85**

Revenues increased by €73 million, going from €578 million to €651 million. This change reflected:

> an increase of €39 million in revenues in Latin America, mainly due to the rise in volumes generated in Brazil and Panama;

> an increase of €33 million in revenues in Europe, mainly due to the recognition of the indemnity provided for in the off-take agreement with Sharp regarding the purchase of the entire output of the 3SUN factory;

> an increase of €1 million in revenues in North America, in line with the previous year.

The **gross operating margin** amounted to €423 million, an increase of €85 million (+25.1%) compared with the 3rd Quarter of 2013, mainly due to:

> an increase of €72 million in Europe as a result of the recognition of the indemnity discussed above under revenues and the reduction in costs for the purchase of fuel in Spain;

> an increase of €7 million in North America, in line with revenues;

> an increase of €6 million in Latin America, essentially associated with the increase in revenues, only partially offset by higher operating costs in Brazil.

Operating income amounted to €267 million, an increase of €85 million.

Performance in the first nine months

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2014	2013 restated	Change	**2014**	2013 restated	Change	**2014**	2013 restated	Change
Europe	1,347	1,479	(132)	993	985	8	689	686	3
Latin America	389	295	94	127	136	(9)	86	90	(4)
North America	280	275	5	192	184	8	110	105	5
Total	**2,016**	**2,049**	**(33)**	**1,312**	**1,305**	**7**	**885**	**881**	**4**

Revenues in the first nine months of 2014 came to €2,016 million, a decrease of €33 million (-1.6%) compared with the same period of 2013. This change reflected:

> a decrease of €132 million in revenues in Europe, essentially as a result of:

- a decline of €63 million in revenues from the sale of photovoltaic panels in Italy associated with the change in the scope of consolidation following the transfer of Enel.si to the Sales Italy business area in the 2nd Half of 2013. This was partially offset by the recognition of

the indemnity provided for in the off-take agreement with Sharp regarding the purchase of the entire output of the 3SUN factory;
    - a decline in revenues from the sale of electricity in the Iberian peninsula as a result of regulatory changes introduced in Spain with Royal Decree Law 9/2013;
- an increase of €94 million in revenues in Latin America, mainly attributable to the rise in amounts generated in Brazil, Chile and Panama;
- an increase of €5 million in revenues in North America. Excluding the effects (gains and remeasurements at fair value) associated with the acquisitions and disposals of shareholdings during the two periods being compared, revenues would have increased by €42 million, mainly due to the rise in amounts generated as a result of the expansion in installed capacity and an increase in revenues from tax partnerships.

The **gross operating margin** amounted to €1,312 million, an increase of €7 million (+0.5%) compared with the first nine months of 2013. This increase was attributable to:
- an increase of €8 million in the margin posted in Europe, mainly as a result of the recognition of the indemnity provided for in the off-take agreement with Sharp, partially offset by lower revenues in Spain due to unfavorable regulatory changes;
- an increase of €8 million in the margin in North America. Excluding the items noted under revenues, the gross operating margin would have risen by €45 million, in line with the rise in revenues;
- a decrease of €9 million in the margin in Latin America, mainly reflecting higher operating costs in Brazil, only partially offset by improved margins in Panama and Chile.

Operating income amounted to €885 million, an increase of €4 million, taking account of an increase of €3 million in depreciation, amortization and impairment losses.

Capital expenditure

Capital expenditure for the period amounted to €1,060 million, an increase of €237 million compared with the same period of the previous year. Investment mainly went into wind plants in Latin America (€390 million), North America (€196 million) and Europe (€60 million), geothermal plants in Italy (€119 million), photovoltaic plants in Chile (€144 million), and hydroelectric plants in Italy (€35 million) and Latin America (€63 million).

Other, eliminations and adjustments

3rd Quarter				Millions of euro	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
450	462	(12)	-2.6%	Revenues (net of eliminations)	1,456	1,371	85	6.2%
8	82	(74)	-90.2%	Gross operating margin	119	112	7	6.2%
(14)	57	(71)	-	Operating income	50	32	18	56.2%
				Capital expenditure	35	41 [1]	(6)	-14.6%

Performance in the 3rd Quarter

Revenues net of eliminations in the 3rd Quarter of 2014 amounted to €450 million, a decrease of €12 million on the corresponding period of the previous year. This change (-2.6%) was largely attributable to a decrease in revenues from information and communication technology services and from support and staff services provided by the Parent Company.

The **gross operating margin** in the 3rd Quarter of 2014 amounted to €8 million, a decrease of €74 million compared with the same period of 2013. This decrease is mainly attributable to the recognition in the 3rd Quarter of 2013 of lower personnel costs associated with the reversal of provisions for the defined-benefit transition-to-retirement plan following its termination in September 2013, the effect of which was only partially offset by the provision recognized in respect of the agreements activating the measures provided for under Article 4, paragraphs 1-7 *ter*, of Law 92/2012 (the Fornero Act).

Operating income showed a loss of €14 million, a deterioration of €71 million compared with the 3rd Quarter of 2013, in line with the decline in the gross operating margin.

Performance in the first nine months

Revenues net of eliminations in the first nine months of 2014 amounted to €1,456 million, an increase of €85 million compared with the same period of the previous year (+6.2%). Excluding the gain of €82 million from the price adjustment recognized in the 1st Quarter of 2014 on the disposal of Artic Russia, which was carried out in the 4th Quarter of 2013, under the provisions of the earn-out clause in the agreements with the purchaser of the company, revenues were in line with those posted for the same period of 2013.

The **gross operating margin** in the first nine months of 2014 came to €119 million, an increase of €7 million. Excluding the gain from the price adjustment on the disposal of Artic Russia, the gross operating margin fell by €75 million, essentially due to the aforementioned recognition in the first nine months of 2013 of the net benefit associated with the termination of the transition-to-retirement plan and agreements provided for under Article 4 of Law 92/2012 among personnel costs, as well as the contraction in the margin on certain services provided to other Group divisions.

Operating income amounted to €50 million in the first nine months of 2014, an increase of €18 million compared with the same period of 2013, taking account of a decrease of €11 million in depreciation, amortization and impairment losses.

Capital expenditure

Capital expenditure in the first nine months of 2014 amounted to €35 million, a decrease of €6 million compared with the same period of 2013.

Significant events in the 3rd Quarter of 2014

Capital contribution agreement for two wind plants in the United States

On July 8, 2014, Enel Green Power North America signed a capital contribution agreement for about $400 million with a consortium led by the J.P. Morgan investment bank. Under the agreement, the consortium has committed to funding the 150 MW Origin wind project located in Oklahoma and the 200 MW Goodwell project in Oklahoma and Texas. The consortium will disburse the funds once the plants enter service, which is scheduled for the 4th Quarter of 2014 for Origin and the 4th Quarter of 2015 for Goodwell, subject to compliance with the requirements set out in the agreement. Both projects are associated with long-term power purchase agreements. Within the framework of the agreement, the J.P. Morgan-led consortium will make a capital contribution totaling about $400 million to EGP-NA. In exchange, the consortium will receive an equity interest with limited voting rights. This interest will allow the consortium to obtain a percentage of the tax benefits to be attributed to the Origin and Goodwell projects.

Chilean government resolutions on the Aysén hydroelectric project

On July 9, 2014, the Chilean government's Committee of Ministers issued Resolutions nos. 569 and 570 in response to petitions filed by citizens and local communities, voiding the previous Resolution no. 225/2011 issued by the *Comisión de Evaluación de la Región de Aysén* that had granted an environmental permit for the hydroelectric project proposed by Centrales Hidroeléctricas de Aysén, a joint venture between Endesa Chile and Colbun.
The resolutions were notified to Centrales Hidroeléctricas de Aysén on July 14, 2014. The company is assessing the documentation and analyzing its legal options and possible alternative solutions.

Start of disposal of equity investments in Slovakia and Romania

At its meeting of July 10, 2014, the Board of Directors of Enel SpA examined developments in the disposal program being implemented to strengthen the Group's financial structure, as provided for in the 2014-2018 Business Plan. More specifically, the Chief Executive Officer informed the Board that, as part of that program, possible disposals by the Enel Group would include:

- 66% of Slovenské elektrárne (held by Enel through Enel Produzione), Slovakia's main power generation company, with a market share of close to 80%;
- 64.4% of Enel Distributie Muntenia and Enel Energie Muntenia, 51% of Enel Distributie Banat, Enel Distributie Dobrogea and Enel Energie, and 100% of Enel Romania, a services company (all held by Enel through Enel Investment Holding).

For both Slovakia and Romania, the Group has formally notified the subsidiaries and their non-controlling shareholders (state-controlled companies or entities) of the start of the disposal process, and has appointed the financial advisors (BNP Paribas and Deutsche Bank for the Slovakian assets and Citigroup and UniCredit for the Romanian assets) and legal counsel that will be providing support for the operation.

Agreement reached between EGP, Sharp and STMicroelectronics

On July 11, 2014, Enel Green Power SpA ("EGP") and Sharp Corporation reached an agreement for Enel Green Power to assume Sharp's obligations arising from the off-take agreement under which EGP and Sharp had committed to purchasing the entire output of photovoltaic panels manufactured at the Catania factory of 3SUN, the equally held joint venture between Enel Green Power, Sharp and STMicroelectronics. The panels produced at the factory, which are especially well-suited for high-temperature applications, are used by EGP to build its photovoltaic plants in the various geographical areas envisaged in the company's 2014-2018 business plan, including South America and South Africa. The price to be paid by Sharp to EGP was set at €95 million, divided into a number of instalments, the last of which will be paid in March 2015. Following this agreement, on July 22, 2014, Enel Green Power acquired (for €30 million) Sharp's 50% stake in Enel Green Power & Sharp Solar Energy Srl, the equally held joint venture created to develop, build and operate photovoltaic plants, using the photovoltaic panels manufactured at the 3SUN plant. The acquisition gave the Group 100% control of Enel Green Power & Sharp Solar Energy.

Finally, on July 23, 2014, EGP signed an agreement with the other partner in the joint venture, STMicroelectronics, under which STMicroelectronics will pay EGP €15 million, fully freeing STMicroelectronics from any obligations associated with participation in the joint venture or in respect of EGP. The accord also provides for EGP to buy out the interests held by the other venturers, Sharp Corporation and STMicroelectronics, in 3SUN. The agreement will become effective subject to approval of the lender banks and the competent authorities (where necessary).

Reorganization of operations in the Iberian peninsula and in Latin America

On July 30, 2014, the Board of Directors of Enel SpA approved plans to reorganize Group operations in the Iberian peninsula and in Latin America. The main objectives of the project are:

> to align the corporate structure with the new organizational structure of the Group, simplify the chain of control of the companies operating in Latin America and creating the conditions for optimizing the Group's cash flows;

> to focus the operations of Endesa as the leading company in energy markets in the Iberian peninsula, by means of a new business plan focused on the development of current business platforms and leveraging the competitiveness of operations in Spain and Portugal.

On September 11, 2014, the Board then agreed and approved:

> the presentation to Endesa by Enel Energy Europe ("EEE"), a wholly-owned Spanish subsidiary of Enel, which in turn holds 92.06% of Endesa, of a binding proposal for the acquisition of the 60.62% interest held directly and indirectly by Endesa in the Chilean company Enersis, parent company for operations in Latin America. More specifically, the stakes to be acquired are 20.30% of Enersis held directly by Endesa and 100% of Endesa Latinoamérica, which in turn holds 40.32% of Enersis. The proposal provides for a total purchase price for the above interests in an amount equal to €8,252.9 million (based upon an implicit price for Enersis shares of 215.0 Chilean pesos, equal to €0.28 at the exchange rate prevailing on September 10, 2014), net of overheads and the net liabilities of Endesa Latinoamérica, equal to a negative €144 million. The price was determined using international valuation procedures and methods generally accepted for these operations, supported by the fairness opinion issued by Mediobanca as a financial advisor;

- the concomitant presentation by EEE of a proposal for Endesa to distribute an extraordinary cash dividend, in an amount equal to the consideration received by Endesa for the sale of 60.62% of Enersis, the payment of which will be dependent upon the execution of the sale.

The proposal regarding the purchase of 60.62% of Enersis provides for, *inter alia*, a clause under which, for a period of two years from the closing date of such transaction, EEE shall pay Endesa, in the event of the sale for cash of a stake in the share capital of Enersis to a non-Enel Group purchaser that reduces the total stake held (directly or indirectly) to below 60.62%, any positive difference between the price per Enersis share upon which such sale is based and that on which the purchase of 60.62% of Enersis is based, multiplied by the number of Enersis shares sold.

Both the proposal for the sale of 60.62% of Enersis and that for the extraordinary cash dividend were then examined by the Board of Directors of Endesa, which on September 17, 2014, approved the operation, submitting it for approval to the Shareholders' Meeting based on the proposals formulated by a special internal committee comprised entirely of independent directors, which had been mandated to verify that the reorganization plan is in line with the corporate interests of Endesa from an economic, financial, legal and strategic standpoint.

Subject to approval by Endesa's corporate bodies, the above transactions are expected to close in the final Quarter of 2014, as the competent authorities have already issued the authorizations necessary to complete the transactions as discussed above.

Enel's Board of Directors will perform the appropriate analyses and assessments concerning a reorganization of Endesa's financial structure (possibly to be carried out through the payment of a further extraordinary dividend) and a possible review of the related dividend policy, as well as assessing the possibility of undertaking capital market transactions, depending on market conditions, that could add further value to EEE's holding in Endesa and resolve the Endesa stock's current lack of liquidity.

Amendments of the bylaws

On July 20, 2014, the Board of Directors of Enel SpA approved a number of amendments of the bylaws with a view to ensuring their compliance with the provisions introduced by Decree Law 21 of March 15, 2012 (ratified with amendments with Law 56 of May 11, 2012) concerning the special powers of the Italian government in strategic industries and to eliminate references to a number of authorizations to increase share capital (mainly in the service of stock option plans) that, having been approved some time ago, have now been executed or are no longer in effect.

Acquisition of 21.1% of Edegel

On September 4, 2014, Enersis, the Chilean subsidiary of the Enel Group, successfully completed an operation begun the previous April to acquire a majority stake in Edegel, a Peruvian generation company with 1,524 MW of installed capacity. The transaction involved the acquisition, for $421 million, of all the shares indirectly held by Inkia Americas Holdings Limited in Generandes Perú (the company that controls Edegel with a holding of 54.20%), equal to 39.01% of its share capital. Accordingly, Enersis now has a direct and indirect stake of 58.6% in Edegel, increasing its holding by 21.1% from the 37.5% already held indirectly through its subsidiary Endesa Chile.

Agreement with Hubject for electric mobility

On September 24, 2014, Enel Distribuzione and Hubject (a German company that since 2013 has operated the European eRoaming platform bringing together more than 120 operators) announced the signature of a memorandum of understanding under which the parties will work together for the development of an Europe-wide eRoaming platform. Through eRoaming, electric vehicle drivers can recharge their vehicles at facilities that are not owned or operated by the utility of which they are customers. The goal of the agreement will be to enable electric vehicle recharging at around 5,000 stations across an area spanning from Sicily to Lapland, with automatic debiting of the charge to customer's ordinary utility bills.

The collaboration between Enel and Hubject in the eRoaming field is one of the main outcomes of Green eMotion, the EU research project on electric mobility grouping 43 partners drawn from industry, the energy sector, electric vehicle manufacturers, local authorities, universities and research institutions.

Acquisition of upstream licenses in Algeria

On September 30, 2014, Enel was awarded, in partnership with the multinational Dragon Oil, two gas exploration blocks within the framework of the fourth bid round to award hydrocarbon exploration and exploitation contracts launched in January 2014 by Algeria's state oil licensing body.
Enel will hold 70% of the partnership for Msari Akabli in south-western Algeria, where promising oil and gas discoveries have been already made, and will serve as project operator, while Dragon Oil will hold the remaining 30%.
At Tinrhert Nord, situated in the Illizi basin in eastern Algeria, an area with a number of producing oil fields and where Enel already holds the South East Illizi concession, Enel will hold 30% of the partnership and Dragon Oil (serving as project operator) will hold 70%.

Reference scenario

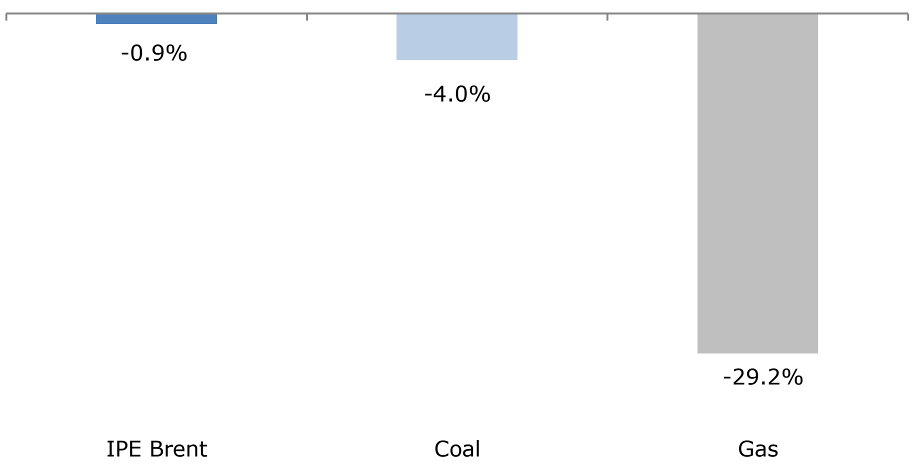
Developments in the main market indicators

	First nine months	
	2014	2013
Market indicators		
Average IPE Brent oil price ($/bbl)	105.6	106.6
Average price of CO_2 (€/ton)	5.9	4.6
Average price of coal ($/t CIF ARA) (1)	74.7	77.8
Average price of gas (€/MWh) (2)	18.6	26.3
Average dollar/euro exchange rate	1.35	1.32
Six-month Euribor (average for the period)	0.35%	0.33%

(1) API#2 index.
(2) TTF index.

Despite fluctuations, the euro/dollar exchange rate in the 3rd Quarter of 2014 rose with respect to the trend that had characterized recent months, with the European currency strengthening in part in response to the impact of the ECB's policies. At the same time, those policies and developments in national economies kept interest rates stable at a level well below their historical trend.

Change in average fuel prices in the first nine months of 2014 compared with the first nine months of 2013



Electricity and natural gas markets

Electricity demand

Electricity demand

3rd Quarter				GWh	First nine months			
2014	2013	Change			**2014**	2013	Change	
78,117	**80,923**	**(2,806)**	**-3.5%**	**Italy**	**231,797**	**239,004**	**(7,207)**	**-3.0%**
61,557	61,925	(368)	-0.6%	Spain	182,589	184,339	(1,750)	-0.9%
12,046	11,909	137	1.2%	Romania	36,967	36,963	4	-
173,978	173,008	970	0.6%	Russia	559,099	560,257	(1,158)	-0.2%
6,861	6,781	80	1.2%	Slovakia (1)	20,948	21,239	(291)	-1.4%
32,750	33,338	(588)	-1.8%	Argentina	97,293	95,752	1,541	1.6%
116,249	115,023	1,226	1.1%	Brazil (1)	354,234	344,684	9,550	2.8%
12,365	11,974	391	3.3%	Chile	36,893	36,028	865	2.4%
16,278	15,486	792	5.1%	Colombia	47,462	45,379	2,083	4.6%

Source: National TSOs.
(1) Enel estimates for the first nine months of 2014.

In the 3rd Quarter of 2014, the decline in electricity demand in Europe appeared to be bottoming out, showing the first signs of a recovery. Although the trend in demand remained negative, the size of the contraction has been decreasing, thanks to the recovery in industrial uses.
In Italy, after the improvement posted in the 2nd Quarter, consumption contracted sharply in the 3rd Quarter (-3.5% compared with the same period of 2013) owing to temperatures that were more than one and a half degrees lower than in the year-earlier period. Only the islands, where temperatures were in line with last year, registered an increase in demand. The most recent figures for September offer encouragement, however: after two years of constant decline, demand began to expand again, increasing by 0.4% compared with the same month of the previous year.
In the first nine months of the year, demand in Italy contracted by a total of 3.0% compared with the corresponding period of 2013.
In Spain, the good performance of industrial consumption (+4.8% in the first nine months of the year) offset the impact of temperature on residential use. Adjusted for calendar and temperature effects, peninsular demand in Spain in the first nine months of 2014 rose by 0.3% (compared with a contraction of 0.9% on an unadjusted basis).
In Eastern Europe and Russia, demand showed signs of strengthening, with an average increase of around 1% in the 3rd Quarter in the three countries in which Enel operates (Slovakia, Romania and Russia).
In Latin America, demand in the 3rd Quarter of 2014 remained strong in Colombia (+5.1% on the same period of 2013), Chile (+3.3%) and Brazil (+1.1%), but displayed worrying signs of weakness in Argentina (-1.8%).

Italy

Domestic electricity generation and demand

3rd Quarter				Millions of kWh	First nine months			
2014	2013	Change			**2014**	2013	Change	
				Net electricity generation:				
41,510	47,267	(5,757)	-12.2%	- thermal	121,391	135,251	(13,860)	-10.2%
15,948	13,963	1,985	14.2%	- hydroelectric	46,210	42,012	4,198	10.0%
3,170	2,501	669	26.7%	- wind	11,316	11,433	(117)	-1.0%
1,410	1,369	41	3.0%	- geothermal	4,132	3,975	157	3.9%
7,868	7,533	335	4.4%	- photovoltaic	19,645	18,033	1,612	8.9%
69,906	**72,633**	**(2,727)**	**-3.8%**	**Total net electricity generation**	**202,694**	**210,704**	**(8,010)**	**-3.8%**
8,536	8,706	(170)	-2.0%	Net electricity imports	30,787	30,092	695	2.3%
78,442	**81,339**	**(2,897)**	**-3.6%**	**Electricity delivered to the network**	**233,481**	**240,796**	**(7,315)**	**-3.0%**
w	(416)	91	21.9%	Consumption for pumping	(1,684)	(1,792)	108	6.0%
78,117	**80,923**	**(2,806)**	**-3.5%**	**Electricity demand**	**231,797**	**239,004**	**(7,207)**	**-3.0%**

Source: Terna - Rete Elettrica Nazionale (monthly report – September 2014).

Domestic *electricity demand* in the first nine months of 2014 decreased by 3.0% compared with the same period of 2013, declining to 231.8 TWh (78.1 TWh in the 3rd Quarter of 2014). Of total electricity demand for the period, 86.7% was met by net domestic electricity generation for consumption (87.4% in the first nine months of 2013) with the remaining 13.3% being met by net electricity imports (12.6% in the first nine months 2013).

Net electricity imports in the first nine months of 2014 rose by 2.3% on the first nine months of 2013, while in the 3rd Quarter of 2014 they contracted by 2.0% (-0.2 TWh).

Net electricity generation in the first nine months of 2014 decreased by 3.8% (-8.0 TWh), falling to 202.7 TWh (69.9 TWh in the 3rd Quarter of 2014). More specifically, the rise in hydroelectric generation (+4.2 TWh) as a result of improved water conditions, the increase in generation from other renewable resources (+1.7 TWh), as well as the decline in electricity demand, led to a decrease in thermal generation (-13.9 TWh). A similar pattern was registered in the 3rd Quarter of 2014.

Spain

Electricity generation and demand in the peninsular market

3rd Quarter				Millions of kWh	First nine months			
2014	2013	Change			**2014**	2013	Change	
63,808	65,443	(1,635)	-2.5%	Net electricity generation	190,572	194,787	(4,215)	-2.2%
(722)	(700)	(22)	-3.1%	Consumption for pumping	(4,006)	(4,723)	717	15.2%
(1,529)	(2,818)	1,289	45.7%	Net electricity exports (1)	(3,977)	(5,725)	1,748	30.5%
61,557	**61,925**	**(368)**	**-0.6%**	**Electricity demand**	**182,589**	**184,339**	**(1,750)**	**-0.9%**

(1) Includes the balance of trade with the extra-peninsular system.
Source: Red Eléctrica de España (*Estadística diaria* - September 2014 report and *Balance eléctrico diario Peninsular* - September 2013 report). Volumes for the first nine months of 2013 are updated to May 9, 2014.

Electricity demand in the peninsular market in the first nine months of 2014 declined by 0.9% on the same period of 2013 (-0.6% in the 3rd Quarter of 2014), decreasing to 182.6 TWh (61.6 TWh in the 3rd Quarter of 2014). Demand was entirely met by net domestic generation for consumption.

Net electricity exports in the first nine months of 2014 decreased by 30.5% compared with the year-earlier period. The contraction was concentrated in the 3rd Quarter of 2014, with a decrease of 45.7%.

Net electricity generation in the first nine months of 2014 amounted to 190.6 TWh (63.8 TWh in the 3rd Quarter of 2014), a decrease of 2.2% (-4.2 TWh), essentially due to weaker demand in the peninsular market. A similar pattern was seen in the 3rd Quarter of 2014.

Electricity generation and demand in the extra-peninsular market

3rd Quarter				Millions of kWh	First nine months			
2014	2013	Change			**2014**	2013	Change	
3,666	3,704	(38)	-1.0%	Net electricity generation	10,019	10,140	(121)	-1.2%
465	417	48	11.5%	Net electricity imports	1,030	986	44	4.5%
4,131	**4,121**	**10**	**0.2%**	**Electricity demand**	**11,049**	**11,126**	**(77)**	**-0.7%**

Source: Red Eléctrica de España (*Estadística diaria* - September 2014 report and *Balance eléctrico diario extrapeninsular* - September 2013 report). Volumes for the first nine months of 2013 are updated to May 12, 2014.

Electricity demand in the extra-peninsular market in the first nine months of 2014 decreased by 0.7% on the same period of 2013, falling to 11.0 TWh (4.1 TWh, +0.2% in the 3rd Quarter of 2014). Demand was largely (90.7%) met directly by net generation in the extra-peninsular area, with the remaining 9.3% being met by net imports.

Net electricity imports in the first nine months of 2014 amounted to 1.0 TWh (0.5 TWh in the 3rd Quarter of 2014) and were entirely accounted for by trade with the Iberian peninsula.

Net electricity generation in the first nine months of 2014 contracted by 1.2% (-0.1 TWh) compared with the same period of the previous year, essentially attributable to weaker demand in the extra-peninsular area. Developments in the 3rd Quarter of 2014 were similar.

Developments in spot electricity prices

	Average baseload price Q3 2014 (€/MWh)	Change in average baseload price Q3 2014 - Q3 2013	Average peakload price Q3 2014 (€/MWh)	Change in average peakload price Q3 2014 - Q3 2013
Italy	**49.8**	**-19.9%**	**52.4**	**-19.2%**
Spain	39.7	-4.4%	43.1	-5.8%
Russia	23.4	-1.9%	27.0	-0.3%
Slovakia	31.9	-20.9%	39.0	-24.9%
Brazil	203.9	92.5%	266.5	27.6%
Chile	110.1	-19.7%	205.7	-8.0%
Colombia	91.3	29.9%	182.9	9.8%

Natural gas demand

Natural gas demand

3rd Quarter				Millions of m^3	First nine months			
2014	2013	Change			**2014**	2013	Change	
10,919	**11,350**	**(431)**	**-3.8%**	**Italy**	**43,623**	**49,469**	**(5,846)**	**-11.8%**
5,726	5,892	(166)	-2.8%	Spain	18,897	20,815	(1,918)	-9.2%

The first nine months of 2014 were marked by a steep decline in natural gas demand in both Italy and Spain, with decreases of 11.8% and 9.2% respectively compared with the same period of 2013. The decline is mainly attributable to the recession and the mix of generation sources, which has been characterized by the growing use of renewable energy and by the increased competitiveness of coal as a result of the fall in the prices of CO_2 allowances. In Spain, against a background of flexible demand for gas that is closely dependent on the availability of renewable resource plants, the introduction of new taxes on natural gas made combined cycle plants and the use of that raw material less competitive.

Natural gas demand in Italy

3rd Quarter				Millions of m^3	First nine months			
2014	2013	Change			**2014**	2013	Change	
3,087	2,741	346	12.6%	Distribution networks	20,039	23,309	(3,270)	-14.0%
3,064	2,964	100	3.4%	Industry	9,759	9,723	36	0.4%
4,433	5,363	(930)	-17.3%	Thermal generation	12,639	15,158	(2,519)	-16.6%
334	282	52	18.4%	Other (1)	1,186	1,279	(93)	-7.3%
10,919	**11,350**	**(431)**	**-3.8%**	**Total**	**43,623**	**49,469**	**(5,846)**	**-11.8%**

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

The decline in natural gas demand in Italy continued in the 3rd Quarter of 2014, largely due to the continuing decrease in use by gas-fired plants (-17.3%) and renewables generation boosted by weather conditions and a consolidated downward trend in electricity demand. Withdrawals by distribution networks (civil, commercial and services uses) continued to expand significantly. Overall, in the first nine months of 2014 gas demand contracted by 11.8% on the same period of 2013, with use for civil purposes and thermal generation falling sharply (-14.0% and -16.6% respectively), while gas use by industry rose slightly compared with the previous year (+0.4%).

Regulatory and rate issues

Compared with the consolidated financial statements at December 31, 2013, 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 with regard to regulatory and rate issues in the countries in which Enel operates.

The European regulatory framework

State aid modernization process

On May 8, 2012, the European Commission set out a reform plan to modernize the framework of rules and controls concerning state aid. The three main, closely linked objectives are: foster growth in a strengthened, dynamic and competitive internal market; focus enforcement on cases with the biggest impact on the internal market; and streamlined rules and faster decisions. The European framework for state aid for the energy sector includes the Environmental and Energy Aid Guidelines (EEAG), the General Block Exemption Regulation (GBER) and the Research, Development and Innovation Programme (RDI) Guidelines.

On April 9, 2014 the Commission approved the revised EEAG for the 2014-2020, entering into force as of July 1, 2014. These promote a gradual transition to market-based mechanisms, such as auctions or feed-in premiums, for supporting renewable energy, establish criteria for supporting large energy consumers that face international competition and include provisions for infrastructure aid and mechanisms for ensuring secure and adequate supplies (for example, capacity remuneration mechanisms) in the internal energy market.

Rules on the provision of investment services (MiFID II)

The new framework of rules governing the provision of investment services in Europe ("MiFID II") was published in the Official Journal of the European Union on June 12, 2014. MiFID II is comprised of Directive no. 2014/65/EU (MiFID) and Regulation (EU) no. 600/2014 (MiFIR), which replace the previous MiFID Directive no. 2004/39/EC.

Among other things, the new rules expand the scope of application of the financial regulations, broadening the definition of financial instruments and narrowing the exemptions currently available to companies that trade commodity derivatives, including electricity and gas.

The MiFID II rules shall apply starting from January 2017. Prior to that date the Member States must transpose the Directive, while the European Commission and the European Securities and Markets Authority (ESMA) will be responsible for defining and adopting the implementing and delegating measures provided for under MiFID II.

Market Abuse Rules (MAR and MAD)

Regulation (EU) no. 596/2014 on market abuse (MAR) and Directive 2014/57/EU on criminal sanctions for market abuse (MAD) were published in the Official Journal of the European Union on June 12, 2014. The new rules, which replace Directive 2003/6/EC and will enter force in June 2016, update and strengthen the existing framework to ensure investor protection and the integrity of the financial markets.

Energy Efficiency Communication 2014

On July 23, 2014, the European Commission published the Energy Efficiency Communication, which analyzes the regulatory period through 2020 and seeks to identify the potential gains achievable by 2030. With regard to the former issue, it found that with current measures the EU will achieve energy savings of 18-19% by 2020, compared with the original target of 20%. In the light of this, the Commission asserts that if all Member States work to properly implement the agreed legislation, the 20% target can be reached without the need for additional measures. For the period after 2020, the Commission has proposed a target of a 30% reduction in energy use by 2030 compared with 2007 projections.

Sales Division

Electricity

Retail market

On March 3, 2014, the Council of State overruled the decision of the Regional Administrative Court of Lombardy that struck down the rules for the Indemnity System introduced by the Authority for Electricity, Gas and the Water System (the Authority) aimed at containing operators' credit risk.

Gas

Retail market

In September 2014 public procedures were used to select suppliers of last resort for the period from October 1, 2014 to September 30, 2016. Enel Energia was selected as the supplier of last resort in 7 out of the 8 geographical areas being tendered and as the default distributor in 6 out of 8 areas.

The Authority also confirmed the current procedures for indexing the component covering natural gas supply costs for the 2014-2015 gas year to spot prices.
With regard to the raw material cost component (QE), on January 24, 2014, the Regional Administrative Court of Lombardy, in the course of an action brought by Enel Energia and Enel Trade, voided the resolutions by which the Authority changed the formula for determining (and thereby reducing) the QE component for the 2010-2011 and 2011-2012 gas years.

Generation and Energy Management Division

Electricity

Wholesale market

With a decree of the Minister for Economic Development of June 30, 2014, the capacity market operational mechanism previously issued for consultation by the Authority was approved.
The mechanism is based on the allotment, by auction, of option contracts (reliability options) that provide for payment of a premium, established in the auction with the setting of a marginal price, against which a generator undertakes to return any positive difference between the price formed on the spot electricity and auxiliary services market and a benchmark price set ex-ante in the option contract.

The rules approved provide for a cap and a floor for the premium to be paid for existing capacity. The floor is paid for all existing capacity and will be set by the Authority.
The first auctions for the award of option contracts will be held in 2015, with delivery as from 2019/2020.
With Decree Law 91 of June 24, 2014, all schedulable generation units located in Sicily with a capacity of more than 50 MW were declared essential to system security. The measure, which will be implemented by the Authority, will be in force until the completion of the "Sorgente-Rizziconi" interconnector between Sicily and Calabria and the other works needed to increase interconnection capacity. The essentially units (which for the Enel Group should comprise the generation units at the plants of Porto Empedocle, Augusta, Termini Imerese, Priolo Gargallo, Anapo and Guadalami) are required to offer supply on the day ahead market and are entitled to fees to cover incurred generation costs.

Gas

Wholesale market

With regard to storage, the decree of February 19, 2014 of the Ministry for Economic Development (MED) changed the criteria for allocating capacity, establishing that it will be assigned solely through auction.

Infrastructure and Networks Division

Electricity

Distribution and metering

With Resolution 154/14, the Authority published the reference rates for distribution and sales activities for 2014 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.

On May 20, 2014, The Regional Administrative Court of Lombardy, in ruling on a petition by A2A Reti, voided Resolutions nos. 559/2012/R/eel and 603/2013/R/eel with which the Authority had modified the regulations governing the equalization of grid losses for the years 2012 and 2013.
More specifically, the Authority had introduced an equalization mechanism between operators through which distribution companies with actual losses that were less than the standard losses were required to repay to the Electricity Equalization Fund part of the loss difference (50% for 2012). The amount to be repaid was allocated pro rata to distribution companies whose actual losses were greater than the standard level.
The Authority filed an appeal with the Council of State (Enel Distribuzione joined the appeal alongside the Authority): the hearing of the case will be held on November 11, 2014.

Energy efficiency

The Authority, with its Resolution 13/2014 of January 23, 2014, introduced a mechanism for recovering the costs of purchasing white certificates (energy efficiency certificates or EECs). It allows distributors to recover a cost equal to the market average, less a spread of €2 per certificate.

The potential financial impact of the mechanism is significantly reduced, although distributors are still subject to the "physical" obligation to deliver the EECs in order to meet the national targets.

On June 30, 2014, the Authority set the definitive rate subsidy for 2013 equal to €110.27/toe and the preliminary rate subsidy for 2014 at €110.39/toe.

Iberia and Latin America Division

Spain

Royal Decree 216/2014 – Method for calculating voluntary price for small consumers (PVPC)

On March 29, 2014, Royal Decree 216/2014 was published in Spain's Official Journal. The decree addresses the method for calculating the voluntary price for small consumers, establishing the following main features:

> the cost of energy for the *Precio Voluntario para el Pequeño Consumidor* (PVPC) will be linked to the hourly market price. More specifically, this will be the price of the day-ahead and intraday markets for the corresponding billing period, to which are added the costs of the ancillary services market, capacity payments and payments required to compensate the market and the system operator. If consumers have smart meters installed, they are be billed on an hourly basis, otherwise consumer profiling is used;

> this mechanism will be applied starting April 1, 2014, but operators have two months (until July 2014) in which to adapt their systems;

> *Comercializadora de Referencia* (CRs) will be required to offer a fixed annual price as an alternative to customers eligible for the PVPC.

Ministerial Order IET/350/2014 – Financing the social bonus

On March 7, 2014 Ministerial Order IET/350/2014 was published, establishing the new allocation of shares of financing for the social bonus scheme. Endesa's share was set at 41.62%.

Proposed royal decree governing generation in non-peninsular territories

As part of the process of reforming the electricity sector launched in July 2013, the Spanish government, through a proposed royal decree, is establishing a variety of aspects that will govern generation and dispatching in the island and extra-peninsular systems. The proposal, in accordance with Law 24/2013, establishes a remuneration system tied to the performance of government securities, plus an appropriate spread. The spread for the first regulatory period (2014-2019) will be equal to 200 basis points over the yield of 10-year government securities in the secondary market.

Royal Decree 13/2014 concerning urgent measure for the gas system and the ownership of nuclear power plants

On October 4, 2014 Royal Decree 13/2014 concerning urgent measures affecting certain aspects of the gas system and the ownership of nuclear power plants was published in Spain's official journal.

With regard to the gas system, the decree seeks to resolve the complex situation of the Castor gas storage project and the abandonment of the concession filed by the concession holder (Escal UGS, S.L.) while protecting the public interest. More specifically, the decree calls for the hibernation of the facility and the payment of €1,350 million by Enagas (which will be indemnified by the system over 30 years through the "*derechos de cobro*" mechanism). Subject to agreement of the Council of Ministers, the hibernation may be terminated or the facility retired in secure conditions. As regard nuclear power generation, the provisions of the decree establish that ownership of nuclear power plants that have not yet complied with the requirements of the nuclear power law (Law 25/1964, as amended by Law 12/2011) shall be deemed to be transferred to the entity that as of the deadline for compliance has been charged with operating the plant by the outgoing owner.

Argentina

Resolution 529/2014

On May 20, 2014 the *Secretaría de Energía* published Resolution 529/2014,m which updated, retroactively starting from February 2014, the remuneration received by generation companies, previously established by Resolution 95/2013.
In addition to raising the remuneration for fixed and variable costs, the new resolution introduces a new item intended to cover extraordinary maintenance costs, which will be paid through the issuance of LVFVDs (*Liquidaciones de Venta con Fecha de Vencimiento a Definir*).

Secretaría de Energía Note 4012

On June 24, 2014 the *Secretaría de Energía* approved Note 4012, which establishes the inflation rate (cost monitoring mechanism "MMC" index) for EDESUR for the period between October 2013 and March 2014 and allows it to be offset against the corresponding debt in respect of the PUREE program for the same period, as was previously allowed for the period between February 2013 and September 2013 by Note 6852.

Brazil

Technical note 112/2014-SRE-ANEEL – revision of 2014-2018 AMPLA rates

On April 7, 2014, the regulator, ANEEL, approved technical note 112/2014-SRE-ANEEL concerning the revision of the rates applied by electricity distributor AMPLA, taking effect as from March 15, 2014. It ensures recognition of all capital expenditure and operating costs incurred by the distributor. The average increase for consumers will be equal to 2.64%, applicable starting from April 8, 2014.

Involuntary exposure of distributors to the spot market

On March 7, 2014, the government published Decree 8.203, which permits distributors to turn to the *Conta de Desenvolvimento Energético* (CDE) to cover additional costs arising from their involuntary exposure to the spot market and from thermal dispatching. The Brazilian regulation guarantees full coverage during the subsequent rate cycle.
Also for this purpose, on April 2, 2014, the government published Decree 8.221, which, as an alternative to the recovery of additional costs through the rate cycle, envisages providing immediate financial coverage for distributors by setting up a new regulated environmental trading account (*Conta ACR*), which will be managed by the *Câmara de Comercialização de Energia Elétrica* (CCEE). On April 28, 2014, following the receipt of bank financing, the CCEE reimbursed Ampla and Coelce for a part of

the higher costs incurred as a result of this involuntary exposure to the spot market price and the coverage of the higher costs of transporting the electricity from the generation plant.
Finally, on April 15, 2014, ANEEL published *Edital do Leilão* 5/2014, setting the ceiling prices and the date for the A-0 auction, which was held to reduce the deficit and cover distributors' additional costs. More specifically, the auction, held on April 30, 2014, produced contracts for quantity of energy with an average price of R$270.81/MWh and an average volume of 1,471 MW, while the average price for contracts for availability of energy came to R$262/MWh with an average volume of 575 MW. Overall, the auction produced an average price of R$268.33/MWh.

Full recognition of ICMS costs

On March 11, 2014, ANEEL, during the 7th ordinary meeting of its board, approved Coelce's request to fully recognize both future and past (from 2003 to 2013) sales tax (ICMS) paid to generators. Recovery of the amounts through rates will take place over four years, starting from April 2014.
On May 20, 2014, the federal public prosecutor's office requested that the adjustment of Coelce's rates be suspended. The action is aimed at stopping the recovery of ICMS through the rate, as established by ANEEL, thereby limiting the rate increase to 13.68% (rather than 16.77%).

Chile

Law on interconnection

On January 30, 2014, a law on interconnection derogating from the provisions of the General Law on electricity services was promulgated. Under the new provisions, the state may promote interconnection projects between the northern interconnected system (SING) and the central interconnected system (SIC).

Energy Agenda

On May 15, 2014, President Michelle Bachelet presented the new Energy Agenda containing the primary energy policy targets. The document sets out the timetable and identifies the parties involved in the next regulatory steps to be taken and lays out the plans of investments that the government intends to make by the end of its term.
More specifically, the Agenda envisages a more active role by the state and calls for reducing marginal electricity costs on Chile's *Sistema Interconectado Central*, or "SIC" (30% reduction in the 2013 average by 2017), redefining the rules for auctions between generators and distributors in order to reduce the resulting price (25% reduction over the next ten years as compared with the 2013 price), setting a target for 45% of new installed capacity to be supplied by unconventional renewable energy (ERNC) by 2025, establishing the target of cutting energy consumption by 20% by 2020, establishing a system for participation in energy planning, developing interconnection projects between the SIC and the SING (*Sistema Interconectado del Norte Grande*) and, finally, introducing a new law for the promotion of geothermal power by 2015.
Furthermore, the Agenda contains both short-term (aimed at making access to regasification structures more transparent) and long-term measures (aimed at expanding current capacity) for encouraging the use of natural gas in generating electricity.

International Division

France

Law 344/2014 – Suspension of regulated electricity and gas rates for industrial customers

On March 27, 2014, the country's Official Journal published Law 344/2014, establishing the gradual abolition of regulate electricity and gas rates for industrial consumers, starting from January 1, 2015 for the gas sector and from January 1, 2016 for the electricity sector.

National energy transition bill

On June 18, 2014 the French Minister for Ecology, Sustainable Development and Energy, Ségolène Royale, officially presented to the cabinet the energy transition bill, which sets out the four basic guidelines for the new national energy strategy:

> cutting greenhouse gases by 40% by 2030 compared to 1990 levels;
> achieving a renewable energy target of 32% of overall gross energy consumption of 2030 (around 40% of overall electricity consumption);
> reducing overall energy consumption by 50% by 2050;
> capping nuclear capacity at 63.2 GW and the share of nuclear power to 50% of domestic generation by 2025, with a cap of 63 GW.

The bill will be submitted to the parliamentary committees for examination during the summer session, with the entire Parliament expected to take up the bill for approval before the end of the year.

Romania

Market coupling

On April 29, 2014 the Romanian national regulator (ANRE) published the market coupling model integrating the Slovakian, Czech and Hungarian electricity markets. Day-ahead trading will be conducted on a common trading platform, which is expected to go live on November 11, 2014.

ANRE Resolution 50/57/2014 - Revision of regulated rates for residential sector

Revised regulated electricity rates were published on June 26, 2014, to take effect as from July 1, 2014. Residential customers received a 2.6% reduction in the average final unit price, mainly as a result of the 46% decline in the co-generation rate. However, this reduction was partly offset by the introduction of a new tax on special construction, which affects the cost of generation and has caused a 1.89% increase in the regulated rate.

Russia

Socio-economic growth estimates (2015-2017)

On September 26, 2014 the Russian Ministry of Economic Development released its forecasts of the country's socio-economic growth for the 2015-2017 period. The main elements of the base scenario of relevance to the energy sector include:

> end-year CPI: 7.5% in 2014, 5.5% in 2015, 4.5% in 2016 and 4% in 2017;
> indexing of wholesale gas prices to the previous year's CPI for 2015 and 2016; for 2017, indexing at 80% of the CPI;
> indexing of residential customer electricity rates to the previous year's CPI + 1%;

> updating of Russian railroad rates +10% for 2015; indexing to previous year's CPI for 2016 and 2017.

Government Decree 505/2014 - decisions on wholesale and capacity rates

On June 4, 2014 the government published the decree establishing that capacity market (KOM) prices will remain as indexed for 2014 (equal to 6.5%, in line with the increase in the CPI for 2013) and eliminating, starting from 2015, indexing for KOM prices and the regulated capacity and energy rates for 2014 and 2015.

Renewable Energy Division

Italy

Imbalancing for non-schedulable plants

On June 9, 2014, the Council of State affirmed the voiding of the Authority's Resolutions nos. 281/2012 and 493/2012, by the Regional Administrative Court of Lombardy. These resolutions would have made non-schedulable renewable resources subject to fees for imbalancing (the difference between actual power delivered to the grid and planned power deliveries defined on the basis of energy markets) starting from January 1, 2013. This system required that imbalancing payments be applied to imbalanced energy only for energy imbalances above a threshold that does not differentiate between resources. Although the Council of State found that the rules on imbalancing introduced by Resolution 281/2012 were discriminatory, its decision confirmed the validity of the principle that non-schedulable resources must participate in sharing imbalancing costs. Accordingly, the Authority has been given the task of adopting new rules that are consistent with the decision of the Council of State. As a result of the decision, the exemption from imbalancing payments applicable to non-schedulable renewable resources prior to the entry into force of Resolution 281/2012 has been reinstated and will remain in effect until the new regulations become applicable.

Renewable energy incentives

Decree Law 145 of December 23, 2013, ratified as amended by Law 9 of February 21, 2014, introduced two measures aimed at reducing the impact that costs of incentives for renewable resources have on electricity rates. The first measure involves the system of minimum guaranteed prices for small plants (up to 1 MW) and provides that, starting from January 1, 2014, the plants benefitting from such prices will be restricted to plants not receiving incentives, with the exception of photovoltaic plants with a nominal capacity of up to 100 kW and of hydroelectric plants with a capacity of up to 500 kW. The second measure introduces a voluntary mechanism for distributing over time a portion of the costs associated with incentives for renewable resources. More specifically, those who generate electricity from renewable resources are given the option of extending the incentive period for 7 years in exchange for a reduction in the incentive received. By accepting this option, generating companies can obtain additional incentives for refurbishing or restoring the affected plants at the end of the period, an option they otherwise would not have. Details on how the measure will be implemented will be established by decree of the Ministry for Economic Development.

Decree Law 91 of June 24, 2014, established that, starting from January 1, 2015, the subsidized rate for energy generated by plants with a nominal capacity of more than 200 kW be paid over an incentive period of 24 years, rather than 20.

Alternatively, while maintaining the 20-year period, the decree provides for the temporal restructuring of incentives, with the reduction of the subsidized rate for an initial period – the reduction being defined so as to achieve potential savings of €600 million in the 2015-2019 period – and an increase in the rate in the subsequent period.
In the event of failure to choose one of the two options outlined above, power generators will incur a variable reduction in the incentive (of between 6% and 8%, depending on the size of the plant) over the remaining incentive period, that is, until the start of the 21st year of the incentive period.
Those who accept the restructured incentive will be able to take advantage of a subsidized loan from Cassa Depositi e Prestiti, in a maximum amount equal to the difference between the incentive due at December 31, 2014 and the "restructured" incentive.
In order to achieve a reduction in the cost of renewables incentives for end users, Decree Law 91/2014 also establishes a mechanism for the securitization of long-term incentives paid to renewable resource plants through a European financial institution selected in a competitive auction. The restructuring of incentives under this system is an alternative to the restructuring set out in the previous paragraph. Implementation of the securitization system has been entrusted to the Authority and to the Minister for Economic Development, subject to verification by the Ministry for the Economy and Finance of the compatibility of the effects of the mechanism with the public finances in order to ensure compliance with Italy's European commitments.

Romania

Reduction in share of electricity from renewables and exemption for large consumers from the obligation to acquire green certificates

On March 19, 2014, the Romanian government reduced the share of electricity generated from renewables that will receive green certificates in 2014 to 11.1% from 15%.On June 11, 2014 the government approved a Decision, published in the official journal on July 4, 2014, that introduces a mechanism for the exemption from the obligation to acquire green certificates for a number of large electricity users. The support system, which has a term of 10 years and is applicable as from August 1, 2014, will reduce the obligation in a variable amount depending on the level of consumption and expenditure on electricity of each company, up to a maximum of 85%. The measure was approved by the European Commission on October 15, 2014. The feed-in tariffs (FiT) methodology for small plants was published on July 14, 2014. The Romanian regulator ANRE announced that, starting from November 11, 2014, market coupling will apply to the day-ahead market for Slovakia, the Czech Republic, Hungary and Romania.

Spain

New regulation for renewable energy resources, co-generation and residual waste Royal Decree Law 9/2013

As part of the reform of the electricity sector begun in July 2013 through the adoption of Royal Decree Law 9/2013, on June 6, 2014 Royal Decree 413/2014, regulating production from renewable energy resources, co-generation and residual waste, was approved. The decree introduces a new remuneration system based on the concept of "reasonable profitability", which is equal to the yield on 10-year government securities plus 300 basis points. For the first regulatory period, lasting six years starting from June 2013, the return on investment is expected to be 7.4% in real terms before taxes. The new system calls for remuneration based on the sale of electricity at the market price, to which supplemental annual remuneration is added only in the event the market price is not enough to ensure the established reasonable profitability. Any supplemental remuneration is calculated based upon the standard operating and investment costs of an efficient, well-run company and for clusters of plants. These standard parameters were determined on June 20, 2014 with the approval of Ministerial Order IET/1045/2014. On July 8, 2014, Enel Green Power filed an administrative appeal of Royal Decree 413/2014 and Ministerial Order IET/1045/2014 and is awaiting the documentation concerning the pending administrative proceeding from the Spanish Supreme Court. Enel Green Power will have 20 business days starting from the date of receipt of such documentation in which to submit its claims. On August 5, 2014, Ministerial Order IET/1459/2014 was published. It defines the parameters for remuneration and the mechanism for assigning specific remuneration rules to new wind and photovoltaic plants in the extra-peninsular electrical systems.

Portugal

Decree Law 94/2014

On June 24, 2014, Decree Law 94/2014 was published in an effort to increase the capacity of existing wind farms that meet certain technical requires and wind resources. The decree law governs the conditions for delivering power in excess of the connection capacity to the grid and the associated remuneration.

France

Energy Transition Law

On October 14, 2014, the National Assembly approved the energy transition bill. The law sets new targets for cutting climate-altering gas emissions by 40% by 2030 (as compared with the 1990 level) and doubles the share of electricity to be provided by renewables to 32% by 2030. In addition, the consumption of fossil fuels is expected to drop by 30% by 2050 and the contribution of nuclear power is expected to fall from its current level of 75% to 50% of electricity generation by 2025.

Greece

Law 4254 – Approval of "New Deal"

On March 30, 2014, the Greek parliament approved Law 4254 – the "New Deal" – seeking to rationalize subsidies for renewables. The main changes, which took effect as from April 1, 2014, include:

> a reduction of the revenues registered in 2013 with the issue of a credit note (10% on revenues from wind and mini-hydro and 35-37.5% on revenues from photovoltaics);

> a reduction as from April 1, 2014, of the feed-in tariffs applied to plants operational on that date of about 5% for wind and mini-hydro plants and about 45% on photovoltaic plants, and the consequent elimination of the Turnover Tax in force until June 2014);

> reduction of feed-in tariffs for new plants entering service after April 1, 2014;

> elimination of the mechanism for adjusting the feed-in tariffs at 25% of the consumer price index);

> extension of the validity of PPAs by 7 years on certain conditions (fixed rate or fixed amount of energy).

Brazil

Notice of upcoming auctions

The A-5 auction initially scheduled for September 12, 2014 was postponed until November 28.
The terms of the auction were confirmed: it will involve three products with delivery to start from January 2019:

> one 30-year quantitity product for power from hydroelectric plants;
> two availability products, one for 25-year contracts with thermal plants and another for 20-year contracts with wind and solar plants with capacities of at least 5 MW.

As regards the A-1 auctions, which are reserved exclusively for existing plants, a new auction has been scheduled for December 5. The contracts to be awarded will have a term of between three and fiveyears (three for thermal generation plants, five for other resources), with supply to begin as from January 1, 2015.

Mexico

Market reform

In August, the secondary energy reform legislation was published. With regard to the electricity sector, the following were published:

> "*Ley de la Industria Eléctrica*", which calls for the creation of a competitive power generation market and an independent operator to manage the market, the introduction of a clean energy certificates mechanism and the establishment of rules governing the transition period prior to the official launch of the wholesale power market;
> "*Ley de Energía Geotérmica*", which defines a special regulatory framework for exploration activities and electricity generation from geothermal resources, the mechanism for identifying areas to be concessioned and the procedures for awarding such concessions;
> "*Ley de la Comisión Federal de Electricidad*", which redefines the role and structure of the former public electricity monopolist (Federal Electricity Commission - CFE);
> "*Ley de Órganos Reguladores Coordinados en materia energética*", which strengthens the role of electricity market operators (CRE and CNH), granting them with technical and operational autonomy.

The independent market operator (CENACE – *Centro Nacional de Control de la Energía*) was officially established and the guidelines for defining a *"Certificados de Energía Limpia"* mechanism were published.

Regional Electricity Market (REM)

The final segment of the SIEPEC regional transmission line was completed in September.
The regional regulator (CRIE - *Comisión Regional de Interconexión Eléctrica*) also issues a series of resolutions to improve the regulatory framework for operation of the grid, specifically:

> Resolution P-18-2014, which establishes the criteria for calculations of electricity for international transactions;
> Resolution P-20-2014, which sets the minimum capacity limit for the regional transmission infrastructure (300 MW) in order to allow the regional system operator (EOR – "Ente Operador Regional") to present a specific investment plan;
> Resolution P-21-2014, which makes the EOR responsible for monitoring and verifying the prices.

Guatemala

In August, the Ministry of Energy and Mines (*Ministerio de Energía y Mina*s - MEM) announced the results of the PEG-3-2013 auction, which, for the first time, was conducted using successive rounds. The auction was held to award 15-year contracts for around 250 MW, with delivery to start between 2017 and 2018. The Enel Green Power hydroelectric plants El Canada and Palo Viejo were awarded over 10% of the total capacity available (29 MW).

Ecuador

Electricity sector bill

On May 29, 2014, the first reading of the bill for reforming the electricity sector, prepared by the Senate committee on economic development, was held in Parliament. Once the parliamentary process is completed, the bill must be approved by the President. Afterwards, secondary legislation will be enacted setting out detailed regulations on the operation of the electricity market.

Chile

The government presented a bill to Parliament defining a new regulatory framework for the auction mechanism for supplying electricity to regulated customers. The bill, currently awaiting debate by the Senate, falls under the umbrella of Chile's Energy Agenda, and envisages:

- more flexible contracts (extending the period for the start of delivery from three to five years);
- a new formula for setting the price cap at auction;
- extending the contract term from 15 to 20 years.

Chile also launched the Energy 2050 program, which aims to establish guidelines for the country's national energy policy, It envisages the participation of all the major market stakeholders.

Colombia

Law 1715 of 2014

On May 14, 2014, the President of Colombia promulgated Law 1715 aimed at encouraging the use of renewable resources to generate electricity, reducing greenhouse gases and guaranteeing energy security for the country. In addition to identifying and introducing a number of tax incentives for renewable energy, the law envisages the establishment of a dedicated fund for funding unconventional renewable energy (ERNC) and energy efficiency initiatives.
The Ministry of Energy has initiated the process to approve the secondary regulation associated with Law 1715. The regulations, which aim to encourage electricity generation from renewable resources and to reduce greenhouse gas emissions, will be promulgated by 2015.

North America

Remuneration mechanisms

The production tax credit (PTC), the tax incentive to encourage renewable electricity generation, expired at the end of 2013. However, thanks to the provision contained in the American Taxpayer Relief Act (enacted in January 2013), eligible projects that were "under construction" by December 31, 2013 were able to qualify for the PTC. The Internal Revenue Service (IRS) issued additional guidelines in April 2013, September 2013 and most recently in August 2014, on the qualification requirements. The new

guidelines confirm and provide more operational detail on the requirement for the plants to be "under construction" by December 31, 2013.
Following the November 4, 2014 elections, the PTC could be extended through inclusion in the tax extender package of federal incentives.
The investment tax credit, the tax incentive for investment in renewables, is still applicable to plants that enter service by December 31, 2016.

Proposed regulations for fossil-fuel powered plants

On June 2, 2014, the Environmental Protection Agency (EPA) published a proposed regulation for fossil-fuel power plants currently in operation that aims to achieve a 30% reduction in CO_2 emissions by 2030 as compared with 2005 levels. Specific emission-reduction targets were established for each state and they were given ample flexibility in the policies and strategies to be adopted. The proposal is currently under consultation, but the EPA expects it to be definitively approved by June 2015. In that case, the states will have until June 2016 to present their plans for reaching the targets to the EPA.

South Africa

South Africa currently operates an auction system to expand renewable capacity called Renewable Energy Independent Power Producer Procurement, divided into 5 rounds. The system seeks to install around 7 GW in new capacity between 2014 and 2020. The winners of Round 4 will be announced in November (1,105 MW auctioned, including 590 MW in wind and 400 MW in photovoltaic power). The winners will be invited to enter into a 20-year PPA with the national utility, Eskom. The expansion and strengthening of the grid to handle the entry of the new capacity is under way.

Outlook

Uncertainty continued to mark the European macroeconomic environment in the first nine months of 2014, making it difficult to forecast economic growth for the final part of the year. Against this backdrop, trends in electricity demand remain weak, with such demand contracting in Italy (-2.9%, seasonally adjusted) and recovering slightly in Spain (+0.3%, seasonally adjusted). Conversely, the emerging economies continue to register rapid growth rates in demand, albeit at a slightly slower pace than initially forecast.

In the closing months of the year, Enel will continue to concentrate on the emerging markets and the renewables sector, leveraging its diversified portfolio and its new streamlined and business-focused organizational structure, which will enable the Group to maximize opportunities for value creation. In addition, Enel will pursue the corporate rationalization already under way, with minority buyouts in Latin America.

Debt reduction will continue to be a priority for the Enel Group. Specifically, net financial debt is expected to total between €39 and €40 billion at the end of 2014. The positive contribution from ongoing extraordinary transactions as well as cash flow from operating activity will be partially offset by the aforementioned negative exchange rate effect as well as by the anticipation to 2014 of some investments in renewables and by some minorities buyouts already envisaged by the Group business plan.

Consolidated financial statements

Condensed Consolidated Income Statement

3rd Quarter		Millions of euro	First nine months	
2014	2013 restated		**2014**	2013 restated
17,974	18,549	Total revenues	54,075	57,836
14,145	14,603	Total costs	42,374	45,492
(99)	(123)	Net income/(charges) from commodity risk management	(93)	(378)
3,730	**3,823**	**GROSS OPERATING MARGIN**	**11,608**	**11,966**
1,586	1,564	Depreciation, amortization and impairment losses	4,453	4,614
2,144	**2,259**	**OPERATING INCOME**	**7,155**	**7,352**
1,075	430	Financial income	2,294	1,874
1,903	1,177	Financial expense	4,798	3,884
(828)	**(747)**	**Total financial income / (expense)**	**(2,504)**	**(2,010)**
(4)	**46**	**Share of income / (expense) from equity investments accounted for using the equity method**	**49**	**139**
1,312	**1,558**	**INCOME BEFORE TAXES**	**4,700**	**5,481**
926	588	Income taxes	2,074	2,028
386	**970**	**Net income from continuing operations**	**2,626**	**3,453**
-	**-**	**Net income from discontinued operations**	**-**	**-**
386	**970**	**NET INCOME FOR THE PERIOD (shareholders of the Parent Company and non-controlling interests)**	**2,626**	**3,453**
272	655	Pertaining to shareholders of the Parent Company	1,957	2,335
114	315	Pertaining to non-controlling interests	669	1,118
		Earnings pertaining to shareholders of the Parent Company per share (euro) (1)	*0.21*	*0.25*

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

Statement of Comprehensive Income

Millions of euro	First nine months	
	2014	2013 restated
Net income for the period (shareholders of the Parent Company and non-controlling interests)	**2,626**	**3,453**
Other comprehensive income recyclable to profit or loss:		
Effective portion of change in the fair value of cash flow hedges	(450)	(158)
Share of income recognized in equity by companies accounted for using the equity method	(8)	(6)
Change in the fair value of financial investments available for sale	(17)	(81)
Change in translation reserve	334	(2,164)
Other comprehensive income not recyclable to profit or loss:		
Change in net liabilities (assets) in respect of defined-benefit plans	-	-
Income / (Loss) recognized directly in equity	**(141)**	**(2,409)**
Comprehensive income for the period	**2,485**	**1,044**
Pertaining to:		
- shareholders of the Parent Company	1,629	1,267
- non controlling interests	856	(223)

Condensed Consolidated Balance Sheet

Millions of euro

	at Sept. 30, 2014	at Dec. 31, 2013 restated
ASSETS		
Non-current assets		
Property, plant and equipment and intangible assets	100,021	98,499
Goodwill	14,915	14,967
Equity investments accounted for using the equity method	1,154	1,372
Other non-current assets (1)	14,005	13,417
Total non-current assets	**130,095**	**128,255**
Current assets		
Inventories	3,714	3,555
Trade receivables	12,819	11,415
Cash and cash equivalents	7,758	7,873
Other current assets (2)	14,555	12,526
Total current assets	**38,846**	**35,369**
Assets held for sale	**116**	**241**
TOTAL ASSETS	**169,057**	**163,865**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Equity pertaining to the shareholders of the Parent Company	36,263	35,941
Non-controlling interests	16,580	16,891
Total shareholders' equity	**52,843**	**52,832**
Non-current liabilities		
Long-term loans	50,559	50,905
Provisions and deferred tax liabilities	22,445	22,443
Other non-current liabilities	3,659	3,475
Total non-current liabilities	**76,663**	**76,823**
Current liabilities		
Short-term loans and current portion of long-term loans	10,500	7,142
Trade payables	10,800	12,923
Other current liabilities	18,248	14,125
Total current liabilities	**39,548**	**34,190**
Liabilities held for sale	**3**	**20**
TOTAL LIABILITIES	**116,214**	**111,033**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**169,057**	**163,865**

(1) Of which long-term financial receivables and other securities at September 30, 2014 equal to €4,689 million (€4,813 million at December 31, 2013) and €178 million (€152 million at December 31, 2013), respectively.
(2) Of which short-term portion of long-term financial receivables, short-term financial receivables and other securities at September 30, 2014 equal to €1,714 million (€2,976 million at December 31, 2013), €2,095 million (€2,510 million at December 31, 2013) and €47 million (€17 million at December 31, 2013) respectively.

Statement of Changes in Consolidated Shareholders' Equity

	Share capital and reserves pertaining to the shareholders of the Parent Company													
Millions of euro	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve from translation of financial statements in currencies other than euro	Reserve from measurement of financial instruments	Reserve from disposal of equity interests without loss of control	Reserve from acquisition of non-controlling interests	Reserve from equity investments accounted for using the equity method	Reserve for employee benefits	Retained earnings (loss carried forward)	**Equity pertaining to the shareholders of the Parent Company**	**Non-controlling interests**	**Total shareholders' equity**
at January 1, 2013	9,403	5,292	1,881	2,262	92	(1,253)	749	78	8	(362)	17,625	35,775	16,312	52,087
Effect of application of IFRS 11	-	-	-	-	11	42	-	-	(53)	-	-	-	(9)	(9)
at January 1, 2013 restated	9,403	5,292	1,881	2,262	103	(1,211)	749	78	(45)	(362)	17,625	35,775	16,303	52,078
Distribution of dividends and interim dividends	-	-	-	-	-	-	-	-	-	-	(1,410)	(1,410)	(501)	(1,911)
Transactions in non-controlling interests	-	-	-	-	-	-	(20)	6	-	8	-	(6)	1,740	1,734
Change in scope of consolidation	-	-	-	-	-	-	-	(22)	-	-	-	(22)	85	63
Comprehensive income					(847)	(219)			(2)		2,335	1,267	(223)	1,044
of which: - income/(loss) recognized directly in equity	-	-	-	-	(847)	(219)	-	-	(2)	-	-	(1,068)	(1,341)	(2,409)
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	2,335	2,335	1,118	3,453
at September 30, 2013	9,403	5,292	1,881	2,262	(744)	(1,430)	729	62	(47)	(354)	18,550	35,604	17,404	53,008
at January 1, 2014	9,403	5,292	1,881	2,262	(1,100)	(1,490)	721	62	(16)	(528)	19,454	35,941	16,898	52,839
Effect of application of IFRS 11	-	-	-	-	16	26	-	-	(42)	-	-	-	(7)	(7)
at January 1, 2014 restated	9,403	5,292	1,881	2,262	(1,084)	(1,464)	721	62	(58)	(528)	19,454	35,941	16,891	52,832
Distribution of dividends and interim dividends	-	-	-	-	-	-	-	-	-	-	(1,222)	(1,222)	(581)	(1,803)
Transactions in non-controlling interests	-	-	-	-	-	-	-	(79)	-	-	-	(79)	-	(79)
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	(6)	(6)	(586)	(592)
Comprehensive income	-	-	-	-	65	(373)	-	-	(20)	-	1,957	1,629	856	2,485
of which: - income/(loss) recognized directly in equity	-	-	-	-	65	(373)	-	-	(20)	-	-	(328)	187	(141)
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	1,957	1,957	669	2,626
at September 30, 2014	9,403	5,292	1,881	2,262	(1,019)	(1,837)	721	(17)	(78)	(528)	20,183	36,263	16,580	52,843

Condensed Consolidated Statement of Cash Flows

Millions of euro	First nine months	
	2014	2013 restated
Net income before taxes	**4,700**	**5,481**
Adjustments for:		
Depreciation, amortization and impairment losses of property, plant and equipment and intangible assets	4,005	4,091
Exchange rate adjustments of foreign currency assets and liabilities (including cash and cash equivalents)	997	(153)
Financial (income)/expense	2,055	1,622
Change in inventories, trade receivables and trade payables	(3,685)	(4,837)
Interest income/expense and other financial income/expense collected/paid	(2,249)	(2,008)
Other changes	(2,893)	(1,664)
Cash flows from operating activities (A)	**2,930**	**2,532**
Investments in property, plant and equipment and intangible assets	(4,012)	(3,680)
Investments in entities (or business units) less cash and cash equivalents acquired	(150)	(178)
Disposals of entities (or business units) less cash and cash equivalents sold	23	68
(Increase)/Decrease in other investing activities	52	25
Cash flows from (investing)/disinvesting activities (B)	**(4,087)**	**(3,765)**
Change in net financial debt	3,462	(211)
Receipts/(Outlays) for sale/(acquisition) of non-controlling interests	(501)	1,740
Dividends and interim dividends paid	(1,901)	(1,866)
Cash flows from financing activities (C)	**1,060**	**(337)**
Impact of exchange rate fluctuations on cash and cash equivalents (D)	**2**	**(185)**
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	**(95)**	**(1,755)**
Cash and cash equivalents at beginning of the period (1)	7,900	9,768
Cash and cash equivalents at the end of the period (2)	7,805	8,013

(1) Of which cash and cash equivalents equal to €7,873 million at January 1, 2014 (€9,726 million at January 1, 2013), short-term securities equal to €17 million at January 1, 2014 (€42 million at January 1, 2013) and cash and cash equivalents pertaining to “assets held for sale” equal to €10 million at January 1, 2014 (equal to zero at January 1, 2013).

(2) Of which cash and cash equivalents equal to €7,758 million at September 30, 2014 (€7,981 million at September 30, 2013), short-term securities equal to €47 million at September 30, 2014 (€31 million at September 30, 2013) and cash and cash equivalents pertaining to “assets held for sale” equal to zero at September 30, 2014 (€1 million at September 30, 2013).

Operating performance and financial position

Group performance

Revenues

3rd Quarter				Millions of euro	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
12,186	13,254	(1,068)	-8.1%	Revenues from the sale of electricity	35,434	40,120	(4,686)	-11.7%
2,296	2,394	(98)	-4.1%	Revenues from the transport of electricity	6,971	7,192	(221)	-3.1%
191	220	(29)	-13.2%	Fees from network operators	560	611	(51)	-8.3%
391	459	(68)	-14.8%	Contributions from the Electricity Equalization Fund and similar bodies	1,004	1,314	(310)	-23.6%
585	630	(45)	-7.1%	Revenues from the sale of natural gas to end users	2,922	3,238	(316)	-9.8%
-	-	-	-	Remeasurement at fair value after changes in control	82	21	61	-
3	1	2	-	Gains on the disposal of assets	88	22	66	-
1,835	1,170	665	56.8%	Other services, sales and revenues	7,014	5,318	1,696	31.9%
17,974	**18,549**	**(575)**	**-3.1%**	**Total**	**54,075**	**57,836**	**(3,761)**	**-6.5%**

In the first nine months of 2014, **revenues from the sale of electricity** amounted to €35,434 million (€40,120 million in the first nine months of 2013 and €12,186 million in the 3rd Quarter of 2014), a decrease of €4,686 million and €1,068 million, respectively, compared with the same periods of the previous year (-11.7% in the first nine months and -8.1% in the 3rd Quarter of 2014). The decrease is essentially attributable to the following factors:

> a decrease of €1,525 million (€416 million in the 3rd Quarter of 2014) in revenues from electricity sales to end users, essentially attributable to decreased volumes sold as a result of the fall in demand for electricity. More specifically, the decline in revenues from regulated markets (totaling €1,639 million in the first nine months of 2014 and €328 million in the 3rd Quarter of 2014) was only partially offset by an increase in revenues (€114 million) on free markets in the first nine months of 2014 (a decrease of €88 million in the 3rd Quarter of 2014);

> a decrease of €631 million (€143 million in the 3rd Quarter of 2014) in revenues from electricity trading as a result of a fall in volumes handled;

> a decrease of €2,521 million (a decrease of €500 million in the 3rd Quarter of 2014) in revenues from wholesale electricity sales, main due to the reduction in revenues from sales on electricity exchanges.

Revenues from the transport of electricity amounted to €6,971 million in the first nine months of 2014, a decrease of €221 million, while in the 3rd Quarter of 2014 they totaled €2,296 million, a decrease of €98 million. The declines in both periods were largely due to a decrease in revenues from the transport of electricity to end users, essentially attributable to the decrease in the volume of electricity wheeling.

Revenues for **contributions from the Electricity Equalization Fund and similar bodies** amounted to €1,004 million in the first nine months of 2014 (€391 million in the 3rd Quarter of 2014), down €310 million (€68 million in the 3rd Quarter of 2014) compared with the same period of the previous year. The decline is essentially attributable to the reduction in revenues for generation in the extra-peninsular areas of Spain, which in addition to the reduction in volumes generated also reflected changes in the interpretation of Royal Decree Law 9/2013 during the course of 2014, which led to the non-recognition of certain costs incurred in 2012 and 2013.

Revenues from the sale of natural gas to end users in the first nine months of 2014 totaled €2,922 million, a decrease of €316 million (-9.8%), while in the 3rd Quarter of 2014 they amounted to €585 million, down €45 million (-7.1%) compared with the same period of the previous year. In both periods the reduction was essentially attributable to the decrease in volumes sold and the reduction in average sales prices as a result of developments in international energy conditions and the modification of a number of rate components.

Gains from **remeasurement at fair value after changes in control** came to €82 million in the first nine months of 2014 (€21 million in the first nine months of 2013). More specifically, gains for the first nine months of 2014 regard the remeasurement at fair value of the relevant assets and liabilities pertaining to the Group (i) following the loss of control, as from January 1, 2014, of SE Hydropower as a result of changes in governance arrangements (€50 million) and (ii) held by Enel prior to the acquisition of full control of Inversiones Gas Atacama (€29 million) and Buffalo Dunes Wind Project (€3 million).

Gains on the disposal of assets in the first nine months of 2014 totaled €88 million (€22 million in the first nine months of 2013), of which €82 million from the price adjustment in the sale of Artic Russia, which was sold in the 4th Quarter of 2013, made during the 1st Quarter of 2014 following satisfaction of the conditions provided for in the earn-out clause of the agreements with the buyer prior to completion of the sale.

Revenues from **other services, sales and revenues** amounted to €7,014 million in the first nine months of 2014 (€5,318 million in the same period of the previous year) and €1,835 million in the 3rd Quarter of 2014 (€1,170 million in the same period of the previous year), with an increase of €1,696 million compared with the first nine months of 2013 (+31.9%) and one of €665 million (+56.8%) compared with the 3rd Quarter of 2013.
The rise in both periods under review was mainly attributable to the increase (€1,817 million in the first nine months and €680 million in the 3rd Quarter of 2014) in revenues from the sale of fuels for trading, including revenues for shipping services, essentially due to the increase in volumes handled, as well as to the rise in grants for environmental certificates (€135 million in the first nine months of 2014). These positive factors were partially offset by the difference in the amount recognized in the two periods being compared (€301 million in the first nine months of 2013 and €63 million in the first nine months of 2014) in respect of the government grant to the Argentine distribution company Edesur concerning the *Mecanismo Monitoreo de Costes*. This effect was compounded by lower revenues from connection fees (€138 million in the first nine months of 2014 and €70 million in the 3rd Quarter of 2014), mainly due to the decrease in the number of connections installed for end users and generation plants.

Costs

3rd Quarter				Millions of euro	First nine months			
2014	2013 restated	Change			**2014**	2013 restated	Change	
5,741	6,704	(963)	-14.4%	Electricity purchases	16,915	20,336	(3,421)	-16.8%
1,949	1,736	213	12.3%	Consumption of fuel for electricity generation	5,816	5,149	667	13.0%
1,212	849	363	42.8%	Fuel for trading and natural gas for sale to end users	3,887	3,741	146	3.9%
250	167	83	49.7%	Materials	808	832	(24)	-2.9%
1,159	1,022	137	13.4%	Personnel	3,377	3,395	(18)	-0.5%
3,531	3,617	(86)	-2.4%	Services, leases and rentals	10,791	10,819	(28)	-0.3%
1,586	1,564	22	1.4%	Depreciation, amortization and impairment losses	4,453	4,614	(161)	-3.5%
629	853	(224)	-26.3%	Other operating expenses	1,790	2,223	(433)	-19.5%
(326)	(345)	19	-5.5%	Capitalized costs	(1,010)	(1,003)	(7)	-0.7%
15,731	**16,167**	**(436)**	**-2.7%**	**Total**	**46,827**	**50,106**	**(3,279)**	**-6.5%**

Costs for **electricity purchases** decreased by €3,421 million in the first nine months of 2014 compared with the same period of 2013 (€963 million in the 3rd Quarter of 2014), a decline of 16.8% (-14.4% in the two quarters). In both periods, the development mainly reflected a decline in purchases through electricity exchanges (€2,697 million and €724 million in the first nine months and in the 3rd Quarter of 2014, respectively), a decline in purchases through bilateral contracts (€185 million and €62 million in the first nine months and in the 3rd Quarter of 2014, respectively) and lower costs for electricity purchases on domestic and foreign markets, largely connected with the decrease in demand (€539 million in the first nine months of 2014 and €177 million in the 3rd Quarter of 2014).

Costs for the **consumption of fuel for electricity generation** in the first nine months of 2014 amounted to €5,816 million, an increase of €667 million (+13.0%) compared with the same period of the previous year, while in the 3rd Quarter of 2014 they amounted to €1,949 million, an increase of €213 million (+12.3%). The rise in both periods reflects the mix of fuel used, which more than offset the positive impact on costs of the reduction in the volume of thermal generation.

Costs for the purchase of **fuel for trading and natural gas for sale to end users** came to €3,887 million in the first nine months of 2014 (€1,212 million in the 3rd Quarter of 2014), an increase of €146 million compared with the first nine months of 2013 and one of €363 million compared with the 3rd Quarter of 2013.

Costs for **materials** amounted to €808 million in the first nine months of 2014, a decrease of €24 million, and totaled €250 million in the 3rd Quarter of 2014, an increase of €83 million, compared with the same period of the previous year. The decrease in the first nine months is mainly the result of a reduction in purchases of materials that would be capitalized and the change in stocks of CO_2 emissions allowances, which, conversely, increased in the 3rd Quarter of 2014, giving rise to the increase in costs for the period.

Personnel costs in the first nine months of 2014 amounted to €3,377 million, a decrease of €18 million (-0.5%) compared with the same period of the previous year. In the 3rd Quarter of 2014, personnel

costs came to €1,159 million, an increase di €137 million (+13.4%) compared with the same period of 2013. The developments in the first nine months reflect the decline in the average workforce in Italy (-2.7%), in part due to the application of the early retirement plan under Article 4 of Law 92/2012, which also paved the way for a reduction in average personnel costs by modifying the mix of contracts under which personnel are hired. This positive factor was partially offset by the increase in the average cost of personnel abroad, which was adversely impacted by exchange rate developments, as well as a number of structural factors, such as the new collective bargaining agreement signed in Argentina.
The Enel Group workforce at September 30, 2014 numbered 71,333, of whom 36,035 employed abroad. The Group's workforce increased by 991 in the first nine months of 2014, reflecting the positive balance between new hirings and terminations in the period (+895) and the change in the scope of consolidation (+96), attributable to the acquisition of an additional 50% of Inversiones Gas Atacama, giving Enel control of that company (+163), the change in the method of consolidating SE Hydropower from full line-by-line to proportionate following the loss of control after changes in governance arrangements (-51) and other minor disposals (-16).
The overall change compared with December 31, 2014 breaks down as follows:

Balance at December 31, 2013 restated	**70,342**
Hirings	4,036
Terminations	(3,141)
Change in scope of consolidation	96
Balance at September 30, 2014	**71,333**

Costs for **services, leases and rentals** in the first nine months of 2014 amounted to €10,791 million, a decrease of €28 million compared with the same period of 2013, while in the 3rd Quarter of 2014 they totaled €3,531 million, a decrease of €86 million compared with the 3rd Quarter of 2013. The developments in the two periods essentially reflect a decline in volumes transported by others (€118 million in the first nine months of 2014 and €171 million in the 3rd Quarter of 2014) connected with the decrease in electricity consumption in the main markets in which the Group operates, partially offset by an increase in costs for leases and rentals, which among other things includes the effects of the recalculation of fees for water use in Spain following the enactment of Law 15/2012.

Depreciation, amortization and impairment losses in the first nine months of 2014 came to €4,453 million, a decrease of €161 million, while in the 3rd Quarter of 2014 they totaled €1,586 million, an increase of €22 million. The reduction in the first nine months of 2014 is attributable to a decline in depreciation and amortization (€115 million, partly due to the extension of the useful life of nuclear plants at the end of 2013) and in net value adjustments of trade receivables (€74 million), the effects of which were only partially offset by an increase in impairment losses (€28 million). The latter increase is mainly the result of the writedown of non-current assets under construction (€46 million) following the abandonment of the project to convert the Porto Tolle power station from oil to coal.

Other operating expenses in the first nine months of 2014 amounted to €1,790 million, a decrease of €433 million compared with the same period of 2013, while in the 3rd Quarter of 2014 they amounted to €629 million, a decrease of €224 million compared with the same period of the previous year. The decrease in both periods reflected a reduction in provisions for risks and charges (€164 million in the first

nine months), a decrease in charges for white certificates in Italy and the impact of the recognition in the first nine months of 2013 of higher taxes and duties, mainly associated with greater taxes on emissions, introduced in Spain with Law 15/2012. These factors were only partially offset by the negative impact of the reintroduction of the *Bono social* charged to Spanish electric companies (increasing costs by €79 million).
The decline in net provisions was largely due to the positive adjustment (€63 million) recognized in the first nine months of 2014 following the settlement agreement between Enel Distribuzione, A2A and A2A Reti Elettriche, which provided for Enel Distribuzione to pay €89 million, as well as to the impact of the provisions (€125 million) recognized in the first nine months of 2013 for litigation concerning a number of foreign acquisitions in previous years.

In the first nine months of 2014 **capitalized costs** came to €1,010 million, while in the 3rd Quarter of 2014 they totaled €326 million, essentially in line with the same periods of the previous year.

Operating income in the 3rd Quarter of 2014 amounted to €2,144 million, a decrease of €115 million compared with the same period of 2013 (-5.1%). In the first nine months of 2014, operating income amounted to €7,155 million, a decrease of €197 million compared with the same period of the previous year (-2.7%).

Net income/(charges) from commodity risk management showed net charges of €93 million in the first nine months of 2014 (€378 million in the same period of the previous year) and net charges of €99 million in the 3rd Quarter of 2014 (€123 million in the year-earlier period). More specifically, net charges for the first nine months of 2014 are essentially attributable to net realized income of €26 million (net charges of €263 million in the first nine months of 2013) and net unrealized charges from the fair value measurement of derivatives positions open at September 30, 2014 in the amount of €119 million (€115 million in the first nine months of 2013).

Net financial expense increased by €494 million in the first nine months of 2014 and by €81 million in the 3rd Quarter of 2014.

More specifically, in the first nine months of 2014 financial income amounted to €2,294 million, up €420 million compared with the same period of 2013. The change reflects:
- an increase in income from derivatives (+€876 million);
- a reduction in interest and other income from finance activities in the amount of €38 million;
- a decrease in income from equity investments amounting to €71 million, essentially due to the impact of the recognition in the first nine months of 2013 of the gain on the disposal of Medgaz (€64 million);
- a reduction of €156 million in exchange rate gains;
- a decrease in other financial income in the amount of €191 million, essentially owing to a decline in interest income posted by Edesur in Argentina in respect of the grant associated with the MMC and PUREE programs (€33 million), the impact of the recognition in 2013 of financial income associated with the adjustment of financial assets in respect of service concession arrangements (€99 million), as well as the reduction in income from defined-benefit plan assets (€33 million) and fair value hedges (€25 million).

Financial expense in the first nine months of 2014 amounted to €4,798 million, an increase of €914 million compared with the first nine months of 2013. The rise is attributable to:

- an increase of €994 million in exchange rate losses;
- an increase of €190 million in other financial expense, which among other items includes the reduction in the value of financial assets (€113 million) associated with service concession arrangements following the rate adjustment of the Brazilian companies Ampla and Coelce in the first nine months of 2014, as well as the impact of the writeback (€66 million) recognized in 2013 on the receivable in respect of the Slovakian National Nuclear Fund;
- an increase of €81 million in interest and charges on financial debt;
- a decrease of €44 million in charges for the accretion of provisions;
- a decrease of €307 million in charges on derivatives.

The **share of income/(expense) from equity investments accounted for using the equity method** in the first nine months of 2014 showed net income of €49 million, while in the 3rd Quarter of 2014 it showed net expense of €4 million.

Income taxes for the first nine months of 2014 amounted to €2,074 million, equal to 44.1% of taxable income (37.0% for the first nine months of 2013), while the tax liability for the 3rd Quarter of 2014 was an estimated €926 million. The increase in the effective tax rate between the first nine months of 2014 and the same period of the previous year essentially reflects the introduction, at the end of September 2014, of a tax reform in Chile that gradually raises the tax rate from 20% to 27% through 2018: the change had a total negative impact of €281 million attributable to the adjustment of net deferred taxes. This was only partially offset by the benefit of the reduction in the IRES surtax applicable to certain Italian companies – the Robin Hood Tax – which was reduced from 10.5% to 6.5% as from January 2014.

Analysis of the Group's financial position

Non-current assets - *€130,095 million*

Property, plant and equipment and intangible assets (including investment property) amounted to €100,021 million at September 30, 2014, an increase of €1,522 million. The change is mainly accounted for by investments in the period (€4,012 million), differences from the translation of financial statements denominated in currencies other than the euro (a positive €522 million, essentially in respect of the Latin American countries), changes in the scope of consolidation (€467 million, mainly attributable to the acquisitions of Inversiones Gas Atacama, Buffalo Dunes Wind Project, Enel Green Power Solar Energy and Osage Wind, partially offset by the loss of control of SE Hydropower), and the remeasurement at fair value of assets (€50 million) already held by the Group following changes in governance arrangements or disposals and acquisitions that gave rise to a change in control. Another factor was the reclassification (€189 million) from assets held for sale of the assets of Marcinelle Energie, as the requirements for their classification as such under IFRS 5 no longer obtained. These factors were only partially offset by depreciation, amortization and impairment losses on those assets totaling €4,000 million and by the classification as "assets held for sale" of the property, plant and equipment (€74 million) of Osage Wind, which in view of management decisions meet the requirements of IFRS 5 for such classification.

Goodwill amounted to €14,915 million, a decrease of €52 million on December 31, 2013. The change is largely attributable to exchange rate losses on the goodwill of Enel Russia (formerly Enel OGK-5) following the depreciation of the ruble against the euro during the period.

Equity investments accounted for using the equity method amounted to €1,154 million, a decrease of €218 million compared with the end of the previous year. The change essentially reflects the reclassification to assets held for sale of the investment in the Spanish company Tirme and the acquisition of control of Inversiones Gas Atacama, Buffalo Dunes Wind Project and Enel Green Power Solar Energy, which had previously been accounted for using the equity method and are now consolidated on a full line-by-line basis. The decrease was only partially offset by the share of the overall net income of companies accounted for using the equity method pertaining to the Group.

Other non-current assets amounted to €14,005 million and include:

Millions of euro

	at Sept. 30, 2014	at Dec. 31, 2013 restated	Change	
Deferred tax assets	6,335	6,186	149	2.4%
Receivables and securities included in net financial debt	4,867	4,965	(98)	-2.0%
Other non-current financial assets	1,787	1,449	338	23.3%
Receivables due from the Electricity Equalization Fund and similar bodies	159	46	113	-
Other long-term receivables	857	771	86	11.2%
Total	**14,005**	**13,417**	**588**	**4.4%**

The increase of €588 million for the period essentially reflects:

> an increase of €149 million in deferred tax assets. In addition to normal developments in temporary differences between amounts reported for statutory reporting purposes and those for tax purposes, the rise is attributable the recognition of deferred tax assets in Chile on the foreign investments of Chilean companies;

> an increase of €338 million in other non-current financial assets, essentially due to the rise in the fair value of financial derivatives (+€413 million), which was only partially offset by the decrease in prepaid financial expense (-€29 million) and in other equity investments (-€60 million), the latter comprising the fair value measurement of the investment in Bayan Resources;

> an increase of €113 million in receivables due from the Electricity Equalization Fund, essentially reflecting the recognition of white certificates in first nine months of 2014 that had not yet been credited to the ownership account;

> a decrease of €98 million in receivables and securities included in net financial debt, mainly as a result of the reduction in receivables for the deficit of the Spanish electrical system (€247 million), which was only partially offset by an increase in other long-term financial receivables.

Current assets - *€38,846 million*

Inventories totaled €3,714 million, an increase of €159 million, mainly associated with inventories of gas, nuclear fuel and CO_2 emission allowances. The rise was only partially offset by a decrease in inventories of green certificates.

Trade receivables amounted to €12,819 million, up €1,404 million, mainly the result of a decline in assignments to factoring companies in the 3rd Quarter of 2014.

Other current assets came to €14,555 million and break down as follows:

Millions of euro

	at Sept. 30, 2014	at Dec. 31, 2013 restated	Change	
Current financial assets included in debt	3,856	5,503	(1,647)	-29.9%
Other current financial assets	5,729	2,794	2,935	-
Tax receivables	1,897	1,709	188	11.0%
Receivables due from the Electricity Equalization Fund and similar bodies	1,179	745	434	58.3%
Other short-term receivables	1,894	1,775	119	6.7%
Total	**14,555**	**12,526**	**2,029**	**16.2%**

The increase of €2,029 million in the period is attributable to:

> an increase of €2,935 million in other current financial assets, essentially associated with the rise in the fair value of financial derivatives;

> a decrease of €1,647 million in current financial assets included in debt, which in addition to the decline in the amount of trade receivables being factored (noted earlier), was also attributable to the decrease of €367 million in the receivable in respect of the Spanish electrical system (which reflected receipts of €1,447 million in the first nine months of 2014) and the reduction of €840 million in short-term deposits. The latter change reflected the expiry of the deposit originally made by Enersis as part of the capital increase carried out in 2013;

> an increase of €188 million in tax receivables, essentially due to the first payment on account of IRES and IRAP (regional business tax) for 2014 of the Italian companies, net of the settlement of taxes for 2013;

> an increase of €434 million in receivables due from the Electricity Equalization Fund and similar bodies, mainly associated with the equalization mechanism for power distribution;

> an increase of €119 million in other short-term receivables, largely due to the rise in prepaid expenses.

Assets held for sale - *€116 million*

The item essentially includes the net assets at their estimated realizable value as determined on the basis of the status of negotiations for the sale of a number of companies of the Renewable Energy Division, as well as other minor positions that, based upon management's decisions, meet the requirements of IFRS 5 for such classification. The decrease for the period essentially reflects the reclassification to the appropriate accounts of the balance sheet of the assets of Marcinelle Energie as they no longer meet the requirements for classification under this heading.

Equity pertaining to the shareholders of the Parent Company - *€36,263 million*

The increase of €322 million in equity pertaining to the shareholders of the Parent Company in the first nine months of 2014 mainly reflects the recognition of net income for the period (€1,957 million), only partially offset by dividends approved and distributed in the period (€1,222 million) and the net loss recognized directly in equity (-€328 million).

Non-current liabilities - *€76,663 million*

Long-term loans totaled €50,559 million (50,905 million at December 31, 2013) and consisted of bonds in the amount of €40,637 million (€41,483 million at December 31, 2013) and bank and other loans in the amount of €9,922 million (€9,422 million at December 31, 2013).

Provisions and deferred tax liabilities came to €22,445 million at September 30, 2014 (€22,443 million at December 31, 2013) and include:

> provisions for post-employment and other employee benefits totaling €3,626 million, down €51 million on December 31, 2013;

> provisions for risks and charges totaling €7,576 million (€7,971 million at December 31, 2013). More specifically, the change from the end of 2013, amounting to €395 million, essentially reflected the decrease in the provision for litigation, the provision for environmental and regulatory compliance risks, and uses of early retirement incentive provisions in Spain and Italy. In Italy, the use of the latter provision reflects the impact of the application of Article 4 of Law 92/2012;

> deferred tax liabilities totaling €11,243 million (€10,795 million at December 31, 2013), a net increase of €448 million that largely reflects the adjustment of deferred tax liabilities to the gradual increase in tax rates envisaged in the new tax reform in Chile.

Other non-current liabilities came to €3,659 million (€3,475 million at December 31, 2013), a rise of €184 million, essentially the result of the change in the fair value of financial derivatives and an increase in other payables.

Current liabilities - *€39,548 million*

Short-term loans and current portion of long-term loans increased by €3,358 million, going from €7,142 million at the end of 2013 to €10,500 million at September 30, 2014. The change takes account of the reduction in short-term bank debt in the amount of €759 million, which was more than offset by the increase in the current portion of bonds in the amount of €2,329 million, in commercial paper in the amount of €1,660 million and in other financial liabilities totaling €128 million.

Trade payables came to €10,800 million (€12,923 million at December 31, 2013), down €2,123 million.

Other current liabilities, which came to €18,248 million, break down as follows:

Millions of euro

	at Sept. 30, 2014	at Dec. 31, 2013 restated	Change	
Payables due to customers	1,617	1,563	54	3.5%
Payables due to the Electricity Equalization Fund and similar bodies	4,116	3,312	804	24.3%
Current financial liabilities	6,487	4,040	2,447	60.6%
Social security contributions payable and payables to employees	539	664	(125)	-18.8%
Tax payables	2,439	1,249	1,190	95.3%
Other	3,050	3,297	(247)	-7.5%
Total	**18,248**	**14,125**	**4,123**	**29.2%**

The increase for the period amounted to €4,123 million, essentially due to an increase in current financial liabilities of €2,447 million, largely accounted for by:

> a decrease in the fair value of financial derivatives, partly offset by a decrease in accrued financial expense;

> an increase of €1,190 million in tax payables, attributable essentially to the estimate for income taxes for the period, net of tax payments made;

> an increase of €804 million in payables due to the Electricity Equalization Fund and similar bodies following the introduction of and increase in a number of rate components.

Liabilities held for sale – *€3 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, 2014	at Dec. 31, 2013 restated	Change	
Net non-current assets:				
- property, plant and equipment and intangible assets	100,021	98,499	1,522	1.5%
- goodwill	14,915	14,967	(52)	-0.3%
- equity investments accounted for using the equity method	1,154	1,372	(218)	-15.9%
- other net non-current assets/(liabilities)	(856)	(1,209)	353	-29.2%
Total net non-current assets	**115,234**	**113,629**	**1,605**	**1.4%**
Net current assets:				
- inventories	12,819	11,415	1,404	12.3%
- trade receivables	3,714	3,555	159	4.5%
- net receivables due from the Electricity Equalization Fund and similar bodies	(2,937)	(2,567)	(370)	-14.4%
- other net current assets/(liabilities)	(4,612)	(4,535)	(77)	-1.7%
- trade payables	(10,800)	(12,923)	2,123	-16.4%
Total net current assets	**(1,816)**	**(5,055)**	**3,239**	**-64.1%**
Gross capital employed	**113,418**	**108,574**	**4,844**	**4.5%**
Provisions:				
- post-employment and other employee benefits	(3,626)	(3,677)	51	**-1.4%**
- provisions for risks and charges and net deferred taxes	(12,484)	(12,580)	96	**-0.8%**
Total provisions	**(16,110)**	**(16,257)**	**147**	**-0.9%**
Net assets held for sale	**113**	**221**	**(108)**	**-48.9%**
Net capital employed	**97,421**	**92,538**	**4,883**	**5.3%**
Total shareholders' equity	**52,843**	**52,832**	**11**	**0.0%**
Net financial debt	**44,578**	**39,706**	**4,872**	**12.3%**

Net capital employed at September 30, 2014 amounted to €97,421 million and is funded by equity pertaining to the shareholders of the Parent Company and non-controlling interests in the amount of €52,843 million and net financial debt of €44,578 million The debt-to-equity ratio at September 30, 2014 came to 0.84 (0.75 at December 31, 2013).

Net financial debt

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

Millions of euro

	at Sept. 30, 2014	at Dec. 31, 2013 restated	Change	
Long-term debt:				
- bank loans	8,164	7,873	291	3.7%
- bonds	40,637	41,483	(846)	-2.0%
- other loans	1,758	1,549	209	13.5%
Long-term debt	*50,559*	*50,905*	*(346)*	*-0.7%*
Long-term financial receivables and securities	(4,867)	(4,965)	98	2.0%
Net long-term debt	**45,692**	**45,940**	**(248)**	**-0.5%**
Short-term debt:				
Bank loans:				
- short-term portion of long-term bank debt	1,018	1,750	(732)	-41.8%
- other short-term bank debt	91	118	(27)	-22.9%
Short-term bank debt	*1,109*	*1,868*	*(759)*	*-40.6%*
Bonds (short-term portion)	4,977	2,648	2,329	88.0%
Other loans (short-term portion)	284	260	24	9.2%
Commercial paper	3,862	2,202	1,660	75.4%
Cash collateral and other financing on derivatives	223	119	104	87.4%
Other short-term financial payables	45	45	-	0.0%
Other short-term debt	*9,391*	*5,274*	*4,117*	*78.1%*
Long-term financial receivables (short-term portion)	(1,714)	(2,976)	1,262	42.4%
Factoring receivables	(127)	(263)	136	51.7%
Financial receivables and cash collateral	(1,725)	(1,720)	(5)	-0.3%
Other short-term financial receivables	(243)	(527)	284	53.9%
Cash and cash equivalents with banks and short term securities	(7,805)	(7,890)	85	1.1%
Cash and cash equivalents and short-term financial receivables	*(11,614)*	*(13,376)*	*1,762*	*13.2%*
Net short-term debt	**(1,114)**	**(6,234)**	**5,120**	**82.1%**
NET FINANCIAL DEBT	**44,578**	**39,706**	**4,872**	**12.3%**
Net financial debt of "Assets held for sale"	**(2)**	**(10)**	**8**	**80.0%**

Net financial debt was equal to €44,578 million at September 30, 2014, an increase of €4,872 million compared with December 31, 2013.

More specifically, ***net long-term debt*** decreased by €248 million, the net effect of a decrease in long-term financial receivables in the amount of €98 million and a decrease in gross long-term debt of €346 million.

With regard to the latter aggregate:

> bank loans amounted to €8,164 million, an increase of €291 million due mainly to an increase (€220 million) in drawings on long-term credit lines by Slovenské elektrárne;

> bonds amounted to €40,637 million, a decrease of €846 million on the end of 2013, mainly reflecting:

- the reclassification to short term of the current portion of bonds, including €1,000 million in respect of a fixed-rate bond issued by Enel SpA that matures in January 2015, €1,300 million in respect of a floating-rate bond issued by Enel SpA that matures in January 2015, €1,250 million in respect of a fixed-rate bond issued by Enel Finance International that matures in June

2015 and $200 million in respect of a fixed-rate bond issued by Endesa Chile that matures in August 2015;
- new issues in the first nine months of 2014, including issues of hybrid financial instruments by Enel SpA (€1,000 million fixed-rate 5%, maturing on January 15, 2075 with a call option at 15 January 2020 and £500 million fixed-rate 6.625%, maturing on September 15, 2076 with a call option at 15 September 2021) and a number of bond issues in Latin America ($400 million fixed-rate 4.25%, maturing in 2024, 589 million Colombian pesos floating-rate with maturities between 2020 and 2030, 260 million Peruvian soles fixed-rate, maturing by 2023 and 94 million Brazilian reais floating-rate, maturing in 2019);
- the impact of the appreciation of the euro against the other currencies in which bonds are denominated (€1,059 million).

Net short-term debt decreased, showing a net creditor position of €1,114 million at September 30, 2014, down €5,120 million from the creditor position at the end of 2013, the result of a decrease of €759 million in short-term bank debt, an increase of €4,117 million in other short-term debt (including bonds) and a decrease in cash and cash equivalents and short-term financial receivables of €1,762 million.

More specifically, short-term bank debt fell by €759 million compared with the end of 2013, mainly due to the repayment by Slovenské elektrárne of revolving credit lines to a pool of banks in the amount of €800 million, offset by the reclassification to short term of long-term bank loans. Other short-term debt, which amounted to €9,391 million, includes commercial paper issues by Enel Finance International, International Endesa and Endesa Capital in the total amount of €3,862 million and bonds falling due within the next 12 months totaling €4,977 million.
Finally, cash collateral paid to counterparties in over-the-counter derivatives transactions on interest rates, exchange rates and commodities totaled €1,725 million, while cash collateral received amounted to €223 million.

Cash and cash equivalents and short-term financial receivables came to €11,614 million, a decrease of €1,762 million compared with the end of 2013, mainly attributable to a decrease in the short-term portion of long-term financial receivables in the amount of €1,262 million, in receivables for factoring transactions in the amount of €136 million, in other short-term financial receivables in the amount of €284 million and in cash and cash equivalents with banks and short term securities in the amount of €85 million, partially offset by the change of €5 million in cash collateral paid for over-the-counter derivatives transactions on interest rates, exchange rates and commodities.

As regards financing agreements, on March 18, 2014, Enel SpA and Enel Finance International cancelled in advance the €10 billion credit line falling due in April 2015 and replaced the financing with a revolving credit line of €9,440 million falling due in April 2018. At September 30, 2014, the committed credit lines obtained by Enel SpA and Enel Finance International were undrawn.
In addition, Enel SpA renegotiated the bilateral revolving credit line in the amount of €550 million falling due on April 24, 2018, replacing credit lines of €400 million falling due in July 2015.

Cash flows

Cash flows from operating activities in the first nine months of 2014 totaled €2,930 million, up €398 million compared with the same period of the previous year, as a result of the decreased use of cash connected with the change in net current assets, mainly due to the exchange rate impact on assets and liabilities denominated in currencies other than the euro, partially offset by the decrease in operating income.

Cash flows from investing/disinvesting activities in the first nine months of 2014 show funds absorbed in the amount of €4,087 million, while in the first nine months of 2013 cash used totaled €3,765 million.
In particular, investments in property, plant and equipment and in intangible assets totaled €4,012 million, up €332 million compared with the same period of the previous year, mainly due to greater investment in renewable energy technologies.
In the first nine months of 2014, investments in entities or business units, net of cash and cash equivalents acquired, amounted to €150 million and were accounted for by the acquisition of an additional 50% of Inversiones Gas Atacama, a Chilean company operating in the natural gas transport sector and in electricity generation, the acquisition of an additional 26% of Buffalo Dunes, following which the interest in that company amounted to 75%, the acquisition of 100% of Aurora Distributed Solar, a company involved in the development of solar plants, the acquisition of an additional 50% of Enel Green Power Solar Energy, an Italian company operating in the development, design, construction and operation of photovoltaic plants, the acquisition of 100% of Osage Wind, the owner of a wind project in North America, as well as payments on account for future acquisitions of smaller equity investments.
The disposal of entities and business units, net of cash and cash equivalents sold, generated cash flows of €23 million in the first nine months of 2014, entirely accounted for by the disposal of a number of minor companies of the Renewable Energy Division.
Cash generated by other investing/disinvesting activities in the first nine months of 2014 amounted to €52 million, largely associated with ordinary disinvestments during the period.

Cash flows from financing activities show cash generated in the amount of €1,060 million, while in the same period of 2013 they show cash used of €337 million. More specifically, in the first nine months of 2014, the positive impact of new issues of hybrid instruments was only partially offset by the cash requirements for the payment of dividends to non-controlling shareholders and payments to acquire minority shareholdings. The latter regarded the acquisition of an additional 15.18% of the Brazilian company Coelce (€180 million) and an additional 39% (€321 million) of Generandes Perú (already controlled with a stake of 61%), a company that in turn controls Edegel, a company operating in the power generation sector in Peru, with a stake of 54.20%.
Accordingly, in the first nine months of 2014, positive cash flows from operating activities in the amount of €2,930 million and cash flows from financing activities in the amount of €1,060 million covered most of the cash requirements of investing activities totaling €4,087 million. The difference is reflected in the decrease in cash and cash equivalents, which at September 30, 2014 amounted to €7,805 million, compared with €7,900 million at the end of 2013.

Other information

Related parties

As an operator in the field of generation, distribution, transport and sale of electricity, as well as the sale of natural gas, the Enel engages in transactions with a number of companies controlled directly or indirectly by the Italian State, Enel SpA's controlling shareholder.

The following table summarizes transactions with such related parties

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 enhanced protection market Sale of electricity for own use
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 Sale of electricity for own use
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 Sale of electricity for own use
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 Sale of electricity for own use
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 Sale of electricity for own use
Poste Italiane Group	Fully controlled (directly) by the Ministry for the Economy and Finance	Purchase of postal services Sale of electricity for own use

Finally, Enel also maintains relationships with the pension funds Fopen and Fondenel, and 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, Gas and the Water System.

The following table summarizes the relationships:

Millions of euro

	Receivables and other assets	Payables and other liabilities	Revenues	Costs	Net income/(charges) from commodity risk management	Financial income	Financial expense
Companies subject to joint control and associated companies							
3SUN	23	-	10	32	-	1	-
Hydro Dolomiti Enel	41	28	3	50	-	-	-
GNL Chile	31	16	-	161	-	-	-
Other	25	24	24	27	-	16	21
Total companies subject to joint control and associated companies	**120**	**68**	**37**	**270**	**-**	**17**	**21**
Related parties:							
Single Buyer	1	698	-	3,282	18	-	-
EMO	327	272	2,300	1,302	-	-	-
Terna	578	601	807	1,497	37	-	-
ESO	234	1,072	474	4	-	-	-
Poste Italiane	-	54	-	85	-	-	-
Eni	30	125	829	843	-	-	-
Other	111	100	98	62	-	1	1
Total related parties	**1,281**	**2,922**	**4,508**	**7,075**	**55**	**1**	**1**
TOTAL	**1,401**	**2,990**	**4,545**	**7,345**	**55**	**18**	**22**

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. In the first nine months of 2014, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution no. 17221 of March 12, 2010, as amended with Resolution no. 17389 of June 23, 2010.

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, 2014	at Dec. 31, 2013	Change
Guarantees given:			
- sureties and other guarantees granted to third parties	5,003	5,685	(682)
Commitments to suppliers for:			
- electricity purchases	47,967	42,181	5,786
- fuel purchases	77,460	55,789	21,671
- various supplies	2,006	2,176	(170)
- tenders	2,083	2,001	82
- other	2,699	2,696	3
Total	**132,215**	**104,843**	**27,372**
TOTAL COMMITMENTS AND GUARANTEES	**137,218**	**110,528**	**26,690**

Commitments for electricity amounted to €47,967 million at September 30, 2014, of which €22,700 million refer to the period October 1, 2014-2018, €8,943 million to the period 2019-2023, €4,478 million to the period 2024-2028 and the remaining €11,846 million beyond 2028.

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, 2014 was €77,460 million, of which €32,609 million refer to the period October 1, 2014-2018, €24,280 million to the period 2019-2023, €13,088 million to the period 2024-2028 and the remaining €7,483 million beyond 2028.

Contingent liabilities and assets

Compared with the consolidated financial statements at December 31, 2013 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 Enel directors and employees

On July 10, 2014, a decision was filed ordering the defendants, jointly with Enel/Enel Produzione, to pay damages in the amount of €312,500, plus more than €55,000 in legal expenses. The Ministry's request for calculation of the amount of damages it claimed it was owed was deemed inadmissible, as grounds for barring such action arose in the course of the criminal proceedings. In the meantime the Court issued a general conviction with damages to be awarded in a separate decision and ordered payment of legal costs.

At the hearing of March 31, 2014, the Court sitting en banc issued its ruling of first instance, acquitting all of the accused of the charge of willful omission to take precautionary safety measures. The Court also acquitted all of the accused of the charge of willfully causing a disaster, with the exception of the two former Chief Executive Officers of Enel SpA (although the Court did not grant the request for recognition of aggravating circumstances as provided for when the disaster actually occurs). The former Chief Executive Officers were then ordered to pay unspecified damages in a separate civil action, with a total provisional ruling of €410,000 and payment of court costs for the remaining civil parties to the action. The Court's explanation of the ruling was issued at the end of September 2014.

Brindisi Sud thermal generation plant – Criminal proceedings against Enel employees

Claims have been filed by the injured parties, including the Province and City of Brindisi, seeking total damages of about €1.4 billion. The argument phase is under way, with hearings of witnesses and experts.

BEG litigation

The European Court of Human Rights, with which Enelpower and Enel SpA had filed an appeal for violation of the right to a fair trial and the rule of law by the Republic of Albania, rejected the petition as inadmissible. The ruling was purely procedural and did not address the substance of the suit.

In addition, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower in New York to render the ruling of the Albanian court enforceable in the State of New York. Enel SpA and Enelpower, in presenting their defense, are contesting all aspects of the foundation of the plaintiff's case and they took all steps available to them to defend their interests. On April 22, 2014, in response to a motion filed by Enel and Enelpower, the court revoked the previous ruling issued against the companies freezing assets of around $600 million. The suit is pending and no measures, preliminary or otherwise, have been taken by the court.

On June 2, 2014 Albania BEG Ambient Shpk obtained an order from the court in the Hague, based upon the preliminary injunction, freezing up to €440 million held with a number of entities and the establishment of a lien on the shares of two subsidiaries of Enel SpA in that country. Enel SpA and Enelpower challenged that ruling and on July 1, 2014, the Dutch court, in granting the petition of Enel and Enelpower, provisionally determined the value of the suit at €25 million and ordered the removal of the preliminary injunction subject to the issue of a bank guarantee in the amount of €25 million by Enel and Enelpower. Enel and Enelpower have appealed this ruling and, at present, no bank guarantee has been issued.

On July 3, 2014, Albania BEG Ambient Shpk sought to obtain a second order to freeze assets. Following the hearing of August 28, 2014, the court in the Hague granted a preliminary injunction for the amount of €425 million on September 18, 2014. Enel and Enelpower have appealed this injunction.
At the end of July 2014, Albania BEG Ambient Shpk filed suit in the Netherlands to render the ruling of the Albanian court enforceable in that country. Albania BEG Ambient Shpk also filed suits in Ireland and Luxembourg to render the ruling of the Court of Tirana enforceable in those two countries. Both of these suits are at a preliminary stage.
Enel SpA and Enelpower SpA are preparing their defense challenging the claims put forth by Albania BEG Ambient Shpk.

Josel litigation - Spain

On July 16, 2014, the *Tribunal Supremo* issued its decision granting the appeal of the ruling of the *Audiencia Provincial de Palma de Mallorca* filed by Josel on March 19, 2012. Given the fact that the buildings at the heart of the litigation are presently owned by another party (the municipality of Palma de Mallorca) and therefore it is not possible to execute the court's decision (return of the building), Endesa Distribución plans to appeal the execution of the ruling. Endesa Distribución has also begun an action seeking to set aside the decision (*incidente di nulidad*).

CIEN litigation - Brazil

Out of court, the Tractebel has indicated that it plans to acquire 30% of the interconnection line involved in the dispute.
In March 2014, the court granted CIEN's motion to suspend the proceedings in view of the existence of other litigation pending between the parties.
CIEN's defense in the suit with Furnas is analogous to that used in the previous case. The claims put forth by Furnas were rejected by the trial court in August 2014.

Bocamina power plant - Chile

A number of environmental issues have arisen with regard to the Bocamina power plant. More specifically, in August 2014, the *Superintendencia de Medio Ambiente* (SMA) imposed a number of fines on Endesa Chile totaling around $8 million, concluding a penalty procedure for a series of alleged environmental violations. Endesa Chile filed an appeal against the decision to the Environmental Court of Valdivia. In addition, seven *Recursos de Protección* against the operation of the plant were submitted by various opponents (e.g. fishermen). One of these was decided in the company's favor, one was deemed inadmissible and the other five are pending. During one of these appeals, in December 2013, the Court of Appeal (the court of first instance in this type of action) granted the precautionary measures requested by the plaintiffs, ordering the shutdown of unit II of the Bocamina plant. In May 2014, the Court of Appeal ordered that the precautionary measure shutting down unit II will be revoked once that decision becomes final. The opponents have filed an appeal and, therefore, activity at unit II is currently halted pending the decision of the Supreme Court.

SAPE (formerly Electrica) arbitration in Romania

On September 29, 2014, SAPE notified Enel and Enel Investment Holding that it had submitted a further arbitration request to the International Court of Arbitration in Paris seeking around €500 million (plus interest) in connection with the put option contained in the Privatization Agreement. The put option gives SAPE the right to sell a 13.57% stake in Enel Distributie Muntenia and Enel Energie Muntenia.
The suit is at a preliminary stage.

LaGeo arbitration

On September 16, 2014, the French Supreme Court of Appeals affirmed the January 8, 2013 decision of the Paris Court of Appeals.

From press reports, we learned that a petition to declare the shareholders' agreement null and void was filed with the Administrative Disputes arm of the Supreme Court of El Salvador and notified to the state-owned utility CEL only. Enel Green Power therefore asked to be admitted to the case, reserving the right to seek damages, including under guarantees pledged by the counterparty at the signing of the shareholders' agreement, but despite this it did not receive any notification.

The attorney general appealed and the appeals court established that the seizure of assets of the parties in the civil proceedings shall be limited to the claims made against the defendants, which the latter must guarantee. The appeals court underscored the need to notify Enel Green Power for the measures to be valid.

In the view of Enel Green Power, the court hearing the case at the request of the attorney general exceeded the limits imposed by the appeals court, ordering the precautionary measures – announced first in the local press – without notifying Enel Green Power and permitting the seizure of assets of Enel Green Power El Salvador and Enel Green Power in the amount of around €687 million each. That decision was taken without allowing Enel Green Power to respond to the charges and despite the fact that the employees under investigation were subject to a seizure order of only $8 million. In addition, the amount of the seizure has no connection with the value of LaGeo or the alleged losses caused to the Salvadorian system.

Enel Green Power, pending recognition of the illegitimacy of the new measures and the clearly hostile strategy of the country's authorities against its investments, has asked the arbitration board of the ICSID – as part of the proceedings begun in August 2013 – to suspend the jurisdiction of El Salvador in the case.

Tax litigation in Brazil

The States of Rio de Janeiro and Ceará issued a number of tax assessments against Ampla Energia e Serviços (for the years 1996-1999 and 2007-2012) and Companhia Energética do Ceará (for the years 2003, 2004 and 2006-2009), challenging the deduction of the *Imposto sobre Circulação de Mercadorias e Serviços* (ICMS) in relation to the purchase of certain assets. The companies challenged the assessments, arguing that they correctly deducted the tax and asserting that the assets, the purchase of which generated the ICMS, are intended for use in their electricity distribution activities.

The amount involved in the disputes totaled approximately €61 million at September 30, 2014.

Subsequent events

Status of reorganization of Enel Group operations in Iberia and Latin America

On October 7, 2014, the Board of Directors of Endesa, in the context of updating that company's business plan, discussed and approved the following:

> the distribution of a further extraordinary cash dividend, by way of an interim dividend on profits for 2014, equal to €6.00 per share, for an overall amount of €6,353 million, with the aim of establishing a more balanced and efficient financial structure. The dividend is being paid in addition to the extraordinary dividend announced on September 17, 2014, submitted for approval to Endesa's shareholders at the extraordinary meeting of October 21, 2014, equal to €7.795 per share, for an overall amount of €8,253 million, related to the sale to Enel Energy Europe of the 60.62% interest held both directly and indirectly by Endesa in the share capital of the Chilean company Enersis SA ("Enersis");

> a new dividend policy for the financial years 2014-2016 which, given the greater cash flows expected to be generated by Endesa, includes the following:
  - for 2014, in addition to the two extraordinary cash dividends of €6.00 per share and €7.795 per share mentioned above, the distribution of an ordinary cash dividend equal to €0.76 per share, for an overall amount of about €800 million, to be paid in 2015;
  - for 2015 and 2016, the target of an annual increase of at least 5% in the ordinary cash dividend of €0.76 per share;
  - payment of the ordinary dividends is expected to be made in two instalments, during the months of January and July, in conformity with the usual practice of Endesa's main competitors.

On October 21, 2014, the Endesa Shareholders' Meeting approved the binding proposal presented by the Board of Directors regarding:

> the acquisition by Enel Energy Group of the 60.62% interest held directly and indirectly by Endesa in the Chilean company Enersis, for a total of €8,252.9 million;

> the distribution by Endesa of an extraordinary cash dividend, in the total amount of €8,252,972,752.02 (equal to €7.795 per share), substantially equivalent to the amount agreed upon for the sale of 60.62% of Enersis by Endesa to Enel Energy Europe.
  The above dividend will be supplemented by an additional extraordinary cash dividend in the form of an interim dividend on 2014 net income of €6.00 per share, for a total of €6,352.5. Both the extraordinary dividends were paid on October 29, 2014, upon the completion of the sale of Endesa's interest in Enersis.

Finally, on November 4, 2014, the Board of Directors approved the placement by Enel Energy Europe of Endesa shares on the market. The initial amount to be placed will be equal to 17% of Endesa's share capital and may reach up to a maximum of 22%, including in any case the greenshoe option (under such option, the Joint Global Coordinators may acquire up to a maximum of 15% of the shares to be placed). With the approval of the placement, which is part of the reorganization of Enel Group operations in Iberia, Enel aims to enhance the value of Enel Energy Europe's stake in Endesa and increase the currently limited liquidity in Endesa stock.

On November 6, 2014, the Spanish securities market authority, *Comisión Nacional del Mercado de Valores* ("CMNV"), approved the publication of the prospectus for the above placement of shares, consisting of:

- a public offering of shares in Spain to retail investors, representing 15% of the Initial Offer (excluding the greenshoe option), with the possibility of re-allotting a portion of the shares originally aimed at the Institutional Offer to the Public Offer (so-called clawback provision), in which case the amount of the Public Offer could be raised up to a maximum of 30% of the Initial Offer and up to a maximum of 23.27% of the Maximum Offer (excluding the greenshoe option). The Public Offer began on November 7, 2014 and will conclude on November 19, 2014, unless terminated earlier. The maximum price for the Endesa shares to be placed through the Public Offer was set at €15.535 per share, corresponding to the highest of the closing prices for Endesa shares reported on the Spanish stock exchange between October 29 and November 5, 2014. The final price for the Public Offer will be equal to the lesser of the aforementioned maximum price and the price that will be set for the Institutional Offer. A bonus share incentive will be available for the Public Offer, providing for the awarding of one free Endesa share for every 40 shares purchased during the Public Offer and held for 12 months without interruption from the date of settlement. A mechanism for preferred allotment of the shares under the Public Offer to shareholders of Endesa as of November 5, 2014 is also envisaged;
- an offering of shares to Spanish and international institutional investors, which may total 85% of the Initial Offer (excluding the greenshoe option and unless the clawback provision for the Public Offer is exercised), will begin on November 13 and will conclude on November 20, 2014, unless terminated earlier. The price for the shares to be placed through the Institutional Offer will be determined on November 20, 2014 in consultation with the Joint Global Coordinators, taking into account, among other considerations, the quantity and quality of the orders received for the Institutional Offer, as well as the overall demand relating to the Global Offer and market conditions.

The final allotment of the shares placed through the Global Offer is scheduled for November 21, 2014. Settlement and delivery of the shares are scheduled for November 26, 2014.

Memorandum of Understanding with Bank of China

On October 14, 2014, Enel signed a Memorandum of Understanding with Bank of China, a leader in the Chinese banking sector. The agreement calls for undertaking a joint assessment of future, potential financial transactions over the next five years. Specifically, the Bank of China declares itself available, through its headquarters and global network, to grant potential financing facilities to Enel of up to €1 billion, subject to a joint assessment with Enel. These facilities include loans, credit support as well as project and trade finance and, if employed, will be used to partially finance Enel Group projects in China and elsewhere. Moreover, based upon its experience in the renmimbi ("RMB") currency market, the Bank of China will provide its advisory services to Enel for its operations in that market. In turn, Enel will regard the Bank as its strategic partner for global RMB-denominated transactions and will consider the possibility of using RMB as the base currency for its transactions with the Bank of China. Other services the Bank will provide include hedging instruments, financial consulting, as well as support in relationships with strategic partners in the China and Asia region.

Enel Finance International NV repurchases bonds

On October 31, 2014, Enel Finance International NV, a wholly-owned subsidiary of Enel SpA, following the non-binding tender offer conducted between October 20 and 27, 2014, purchased notes it had issued and that are listed on the Dublin exchange and guaranteed by Enel for a total of around €762 million.
The operation was performed as part of efforts to optimize Enel Finance International NV's finance operations and is aimed at actively managing maturities and debt servicing costs.

Appointment of officer responsible for the preparation of the financial reports

On November 4, 2014, the Board of Directors of Enel, after receiving a favorable opinion from the Board of Auditors, appointed Alberto De Paoli as the officer responsible for the preparation of the financial reports of Enel SpA, replacing Luigi Ferraris, starting from November 12. He will also replace Luigi Ferraris as the Chief Financial Officer of the Company starting from that date. As from November 12, Mr. Ferraris will replace Ignacio Antoňanzas Alvear as the head of Latin America area operations and will also become *Gerente General* of the Chilean subsidiary Enersis.

Sale of SE Hydropower and SF Energy

On November 7, 2014, Enel Produzione and Società Elettrica Altoatesina SpA ("SEL", a company controlled by the Autonomous Province of Bolzano) signed contracts for the sale of the stakes held by Enel Produzione in SE Hydropower and SF Energy for a total of €400 million.
More specifically, the price for the sale of the 40% stake held by Enel Produzione in SE Hydropower is expected to total €345 million. The completion of the transaction is conditional on the approval of the Italian antitrust authorities and on SEL obtaining a commitment from the banks to provide the funding for the purchase of the above shareholding.
The price for the sale of the stake held by Enel Produzione in SF Energy (whose share capital is held in equal amounts by Enel Produzione, SEL and Dolomiti Energia) is expected to amount to €55 million. The completion of the transaction is subject to the right of pre-emption held pro-rata by the shareholder Dolomiti Energia and is also conditional on SEL obtaining a commitment from the banks to provide the funding for the purchase of the above shareholding.
This transaction is part of the disposal plan announced by Enel to the market and will enable the Group to reduce its consolidated net financial debt by an amount equal to about the total price reported above.

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, hereby certifies, 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, 2014 corresponds with that contained in the accounting documentation, books and records.

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