

Report and Financial Statements
of Enel SpA
at December 31, 2012



POWER

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WORLD

A vertical neon sign in a bright blue color, spelling the word "WORLD" from top to bottom. The letters are stylized and made of thin glass tubes. The sign is mounted on a plain, light grey wall. A thin, dark wire is visible at the top and bottom of the sign, connecting it to a power source. The lighting is even, highlighting the glow of the neon.

Report
on operations

The Enel organizational structure

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

- > Parent Company functions, which are responsible for directing and controlling strategic activities for the entire Group;
- > global service functions, which are responsible for providing services to the Group, maximizing synergies and economies of scale;
- > business lines, represented by seven divisions, as well as the **Upstream Gas** function (which pursues selective vertical integration to increase the competitiveness, security and flexibility of strategic sourcing to meet Enel's gas requirements) and the **Carbon Strategy** function (which operates in the world's CO₂ certificate markets).

The activities of the individual divisions are set out below.

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

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

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

energy products, including natural gas to distributors, through Enel Trade;

- > the development of natural gas regasification plants (through Nuove Energie) and storage facilities (Enel Stoccaggi).

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

The **Iberia and Latin America Division** focuses on developing Enel Group's presence and coordinating its operations in the electricity and gas markets of Spain, Portugal and Latin America.

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

The chief geographical areas of operation for this Division are:

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

The **Renewable Energy Division** has the mission of developing and managing operations for the generation of

electricity from renewable resources, ensuring their integration within the Group in line with the Enel Group's strategies. The geographical areas of operation for this Division are:

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

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

Corporate boards

Board of Directors

Chairman

Paolo Andrea Colombo

Chief Executive Officer and General Manager

Fulvio Conti

Directors

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

Secretary

Claudio Sartorelli

Board of Auditors

Chairman

Sergio Duca

Auditors

Carlo Conte
Gennaro Mariconda

Alternate auditors

Antonia Francesca Salsone
Franco Luciano Tutino

Independent auditors

Reconta
Ernst & Young SpA

Powers

Board of Directors

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

Chairman of the Board of Directors

The Chairman is vested by the bylaws with the powers to represent the Company legally and to sign on its behalf, presides over Shareholders' Meetings, convenes and presides over the Board of Directors, and ascertains that the Board's resolutions are carried out. Pursuant to a Board resolution of May 2, 2011 (as amended on December 18, 2012), the Chairman has been vested with a number of additional non-executive powers.

Chief Executive Officer

The Chief Executive Officer is also vested by the bylaws with the powers to represent the Company legally and to sign on its behalf, and in addition is vested by a Board resolution of May 2, 2011 (as amended on December 18, 2012) with all powers for managing the Company, with the exception of those that are otherwise assigned by law or the bylaws or that the aforesaid resolution reserves for the Board of Directors.

Letter to shareholders and other stakeholders



Dear stakeholders,

Looking at the global macroeconomic environment, we are witnessing the overturning of past paradigms: a profound change that has given way to a climate dominated by uncertainty.

The crisis that for some years now has been impacting Europe is an unprecedented economic cycle that is rewriting history and economics textbooks, with the horizon for recovery moving each year a little further into the future. Such a phenomenon calls for new models of flexibility, speed, efficiency and innovation.

Suffer more than most are the mature markets of Southern Europe, with Italy and Spain among the worst affected: a general decline in consumption, a contraction in demand for electricity and gas, surplus generation capacity, an increase in the tax burden on households and companies, and significant government intervention in our business have only amplified the risk perceived by investors and the volatility of stock prices. These adverse developments have affected the performance of stock markets and the ratings of sovereign debt and businesses.

But there is another part of the planet in which we operate, where areas such as Eastern Europe, Russia and Latin America continue to grow. Thanks to the strong macroeconomic fundamentals of these markets, together with the rapid development of renewable energy resources, our Group has continued to be profitable during these difficult years. Geographical diversification, a well-balanced mix of generation technology and close attention to costs remain the strengths of the Enel Group, enabling

us to maintain financial stability and a solid financial position.

Increasing the efficiency of our Group, in such a challenging macroeconomic environment, is the only way to defend the achievements and free up resources to be allocated to the fastest growing areas. Processes, procedures and the very organizational structure of the Group are undergoing a profound transformation in order to maximize performance through a robust, fully integrated structure that is at once streamlined, rapid, efficient and excellent.

The new organizational structure provides for the holding company to be responsible for coordination and strategic management at the service of our business, allocating resources optimally within the Group, divisions responsible for business operations, contributing to the Group's strategy, and three global service areas for Procurement, ICT and Services operating in support of the operational units, generating added value in the form of synergies and economies of scale.

This is a real step forward that will allow our Group to remain competitive while retaining cost leadership and technology leadership.

The year 2012 saw us achieve the objectives announced to the market, exceeding the targets set, both in terms of gross operating margin, which amounted to €16.7 billion, and in terms of net financial debt, which amounted to €42.9 billion, a decrease of about €1.7 billion compared with 2011. Group revenues at the end of 2012 totaled €84.9 billion, an increase of 6.8% compared with 2011. These results confirm the soundness of our strategy and the resilience of Enel in mature markets, accompanied by strong growth in renewable energy, in the South American countries and in Eastern Europe. The preservation of margins, cash generation in mature markets and a selective and flexible investment policy have enabled us to keep debt within limits and achieve returns to shareholders in line with the sector.

Armed with these results, the Group's strategy is further strengthened by the pursuit of the following priorities:

- > preserving margins and cash generation in our mature markets;
- > continuing investment in the growth markets of Eastern Europe and Latin America, as well as in renewable energy;
- > strengthening the Balance Sheet and optimizing our asset portfolio;
- > completing the reorganization of the Group, including through minority buy-outs;
- > maintaining a constant focus on financial discipline.

These strategic priorities are combined with a strong focus on local communities, a thoroughly disseminated culture of safety and a clear corporate social responsibility (CSR) policy, which has an integral place within our business plan because we are convinced that corporate social responsibility has a direct impact on medium and long-term competitiveness. Enel is in the Dow Jones Sustainability Index for the ninth consecutive year and is a participant in the United Nations' Global Compact LEAD. This commitment has allowed us and will continue to allow us to create value for all our stakeholders.

The contribution of the various divisions to Group performance is briefly described below.

Sales Division - Italy

In a dynamic sales market, characterized by the continuous increase in competitive pressures and the growing interest of end users in energy efficiency issues, the Sales Division continued to pursue its business strategy of focusing on the high-value mass market, with an intense customer acquisition effort, and innovation in our product range and sales channels.

In particular, Enel Energia remains the leading Italian operator on the free energy market, with some 4.1 million customers and 41.3 TWh in power sold, accompanied by a strong presence in the natural gas market, with about 3.2 million customers.

Enel Servizio Elettrico remains the number one operator on the enhanced protection market, with 60.3 TWh of electricity sold and a customer base of 23.9 million customers, a decrease of about 1.1 million customers compared with 2011 as a result of the expansion of the free market.

In the customer service area, the service excellence was, as in the past, a management priority in 2012, as underscored by the presence, for the second consecutive year, of Enel Energia and Enel Servizio Elettrico in the first two places of the ranking issued by the Authority for Electricity and Gas (the Authority) of the best contact centers in the industry. The excellence of services delivered to customers was also pursued with a constant focus on enhancing the efficiency of operational processes, aimed at maximizing the value generated for customers and for the Group.

The results confirm the validity of the strategic focus and operational actions, with revenues of €18.4 billion and a gross operating margin of €689 million, up respectively by about 3.5% and about 23% compared with 2011.

Generation and Energy Management Division - Italy

In current market conditions, characterized in 2012 by a decline in electricity demand and a significant increase in generation from unschedulable renewable energy plants, the Division generated 62.8 TWh in Italy, about 22% of national demand net of imports. This performance was down 6.5% from the previous year, due to the lack of competitiveness of gas-fired plants and the reduction in hydro generation owing to reduced water availability. This decrease was partially offset by the competitiveness of coal-fired plants, thanks in particular to the full operation of the Torrevaldaliga Nord plant at Civitavecchia. The renegotiation of long-term gas supply contracts was also completed, which had been undertaken in response to the adverse market environment, achieving major benefits in terms of price and a reduction of volumes under take-or-pay agreements.

In 2012, revenues amounted to €25,237 million, while the gross operating margin came to €1,271 million, down sharply compared with 2011, reflecting the deterioration of the wholesale market for electricity and gas in Italy as well as the effect of certain non-recurring items posted the previous year. During 2012, continuous improvement towards operational excellence went forward, particularly in the management of plant facilities, with projects designed to enhance operational efficiency, reliability and safety.

Infrastructure and Networks Division - Italy

The strong operational and financial performance of the Infrastructure and Networks Division in 2012 confirms Enel's leadership in the electricity distribution field with a total of 31.7 million customers and 238.2 TWh distributed. Last year, the Division generated revenues of €8,177 million and a gross operating margin of €4,138 million, in line with 2011.

The strong commitment to operational excellence produced a further improvement in service quality in terms of the average number of interruptions per customer, with 3.7 interruptions, compared with 3.8 in 2011. The total duration of outages per customer came to 46 minutes on average, compared with 44 in 2011. The rise was in part attributable to the extraordinary weather events

recorded in February 2012.

The past year saw strong growth in connections of renewable generation plants: on its network, Enel connected approximately 140,000, for a total of 4,700 MW.

In Italy, the automated remote management system for electronic meters executed more than 7 million contract transactions and more than 400 million remote readings in 2012. In Spain, the installation of electronic meters continued with the installation of more than 2 million units, with a goal of serving about 13 million customers in the coming years.

In the field of smart grids, the power grids of the future, Enel confirmed its European leadership, chairing the "European Distribution System Operators (EDSO) for Smart Grids" association, through which it develops the implementation plans for European pilot projects and carries them out with the contribution of leading industry partners. During 2012 several projects were initiated with financing under the 7th Framework Programme of the European Commission with the participation of EDSO as coordinator. Enel is also involved as technical coordinator of the Grid4EU project, funded by the European Commission. Innovative projects also continued in Italy, such as the smart grid project in Isernia – with incentives from the Authority – and the projects of the Interregional Operational Plan for the southern regions funded by the Ministry for Economic Development. Under the Smart Cities initiative, Enel has launched projects in the cities of Bari and Genoa, with funding from the European Union and the Ministry for Universities and Research. At the international level, the first phase of the project to transform Malaga in Spain into a smart city was completed and the first smart city in Latin America was inaugurated in Búzios, in Brazil.

An important contribution to the development of electric mobility was the signing of a number of agreements in 2012 with local and regional governments (the Cities of Rome and Bari, and the Region of Emilia-Romagna) and private companies (Renault, Italian Post Office). Enel charging infrastructure for electric vehicles around the country now exceeds 1,000 points.

The Public Lighting business improved on the already positive results of the previous year and, thanks to developments in the Archilede project and the extension of the CONSIP tender, has consolidated its leadership position both in Italy and in Spain in the field of new LED street lighting systems.

Iberia and Latin America Division

In 2012, the Iberia and Latin America Division posted a gross operating margin of €7,212 million, down 0.5% compared with 2011. This decrease is due to the combined effect of the negative impact of regulatory measures adopted by the Spanish government in 2012 and a smaller generation margin in Chile, due to unfavorable hydrological conditions.

Despite the adverse economic, energy and regulatory environment, a significant contribution to the results was made by the synergies achieved with the Group and the efficiency plans implemented by the Division. These initiatives produced a total of €1,307 million in recurring annual savings, once again surpassing the initial annual targets.

During 2012, the demand for electricity in the Spanish market fell by 1.7%, while electricity generation by Endesa, which amounted to 77.4 TWh, increased by 3% due to greater generation from nuclear fuel and imported coal, which offset lower output from domestic coal, combined cycle systems and hydro plants.

Total revenues for 2012 in Spain and Portugal amounted to €23,367 million, an increase of 3.4% due to higher sales prices. The process of securitizing the electricity rate deficit also continued, generating cash of €2,674 million for the Group.

Contrary to conditions in Spain, electricity demand in Latin America continued to rise in 2012 as a result of the stronger economic performance in the region's economies. Electricity demand grew by an average 4.5% in the five countries in which the Division operates (Chile, Colombia, Argentina, Peru and Brazil), with a peak of more than 5% in Chile and Peru. The total production was 63.1 TWh.

The gross operating margin achieved by the Division in these five countries totaled €3,211 million, down by only 1.4% compared with 2011, due to the exceptional drought in Chile and special circumstances in Argentina. By contrast, operational performance in Colombia and in the distribution sector across the region was strong.

Significant operational developments in the Latin American market included the approval of the capital increase of Enersis, amounting to \$5,995 million, proposed by the Group at the Extraordinary Shareholders' Meeting held in Santiago, Chile on December 20, 2012. Confirming its soundness, the operation was approved by a large majority (82% of the shares). The capital increase will strengthen the Group's position, confirming it as the leading private electricity multinational in the region, and significantly reinforce Enersis' balance sheet, putting it in a position to seize opportunities during future periods of faster growth.

Renewable Energy Division

In 2012, within an overall context of growth in investment and installed capacity in the renewable energy sector, Enel Green Power confirmed its global leadership position, meeting the commitments announced to the market and in the 2012-2016 business plan.

Organic growth in installed capacity over the course of the year amounted to more than 900 MW compared with 2011, enabling the Company to reach a total of 8 GW of capacity, while the net electricity generation amounted to 25.1 TWh, an increase of 2.6 TWh or 11.7% compared with 2011. The increase in capacity and output was accompanied by a rise in key performance aggregates. Total revenues amounted to €2,696 million, up 6.2% compared with 2011. The gross operating margin in 2012 reached €1,681 million, a rise of 6.1% from the previous year. In 2012, Enel Green Power continued to pursue growth with a balanced mix of all the main renewable generation technologies, seeking out markets with the greatest potential in terms of growth in energy demand, abundant natural resources, and socio-political and regulatory stability.

During the year, the Division expanded its activities in the emerging markets of Central and South America, particularly Mexico, Brazil, Chile and Guatemala. In Mexico, Enel Green Power strengthened its presence with the entry into service of two wind farms (Bii Nee Stipa II and III) for a total of 144 MW in the region of Oaxaca, where Enel Green Power also won the public tender organized by the Mexican electricity authority for the construction of a wind farm of 102 MW. In Brazil, work started on the construction of three wind farms in the State of Bahia, with a total capacity of 90 MW, while in Chile construction began for the development of a wind farm of 90 MW. Finally, in Guatemala the new Palo Viejo plant, with a total capacity of 87 MW, entered service.

Enel Green Power continued to develop operations in North America. In the wind sector, two new wind farms, one at Castle Rock Ridge in Canada, with a capacity of 76 MW, and one at Rocky Ridge in Oklahoma, in the United States, with a capacity of 150 MW, entered service. In May, work began on the construction of a new geothermal power plant in Utah, with a gross installed capacity of 25 MW. As regards operations in Europe, the results for 2012 confirm the consolidation of Enel Green Power's presence in Romania, where new wind farms with a capacity of about 230 MW entered service, while in Italy, Spain and Greece new photovoltaic and wind capacity totaling about 230 MW was added.

International Division

In 2012, the International Division reported revenues of €8,703 million and a gross operating margin of €1,650 million, an increase of 5.8% over the previous year, net of the change in scope of consolidation related to the sale of Enel Maritza East 3 in Bulgaria. Operational performance also improved, with output amounting to 65.2 TWh and retail sales to 52.0 TWh, increases of 4% (net of the change in scope noted above) and 12%, respectively, compared with 2011. The result was made possible by the

effective operational management of assets, the optimization of commercial strategies and effective dialogue with institutional and regulatory authorities. This latter aspect assumed particular importance in a year that witnessed the inauguration of new governments in each country in the International Division's scope of operations.

In Slovakia, Slovenské elektrárne posted a gross operating margin of €836 million, an increase of 3% over the previous year. Improvements were also seen in the operational safety and availability of the nuclear power plants, whose efficiency is second to none in Europe. Work continues on the construction of units 3 and 4 of the Mochovce nuclear power plant, for which it was essential to take account of the new safety requirements prompted in part by the stress tests carried out after the Fukushima incident. After entering service, the two new units will raise the proportion of emission-free generation by Slovenské elektrárne to 93%.

In Russia, Enel OGK-5 posted a gross operating margin of €392 million in 2012, an increase of 13% over the previous year, thanks to the availability for the entire year of two new CCGT plants, which first entered service in 2011, and the continuation of actions to raise the operating efficiency of plants. These initiatives focused on optimizing and streamlining the cost structure and staff organization connected with plant operations. They play a key role in preserving margins in a highly competitive environment. The sales company RusEnergosbyt, in which Enel holds an interest of 49.5%, continued its strategy of diversifying its commercial portfolio, expanding it beyond its main customer RZhD (the Russian Railways) with the acquisition of new industrial customers and the start of operations in new regions. The Enel's share of the gross operating margin for 2012 amounted to about €135 million.

In Romania, the three distribution companies of the Division continued investment in the modernization of networks and the improvement of service quality. In particular, in 2012 the actions planned in collaboration with the Infrastructure and Networks Division led to a substantial reduction of network losses, from 13% to about 11%, very close to the optimal levels set by the regulator. The joint effect of the performance of the electricity sales companies and the reduction in the cost-to-serve helped achieve a gross operating margin for all activities in Romania of €231 million, an increase of 12.6%.

In France, Enel France exercised its right to withdraw from the Flamanville 3 project, concluding the strategic partnership agreement signed with EDF in 2007 and recovering in full the advances paid, amounting to €613 million, together with accrued interest of €45 million. Commercial operations expanded, with 13.1 TWh of electricity sold to end users, compared with 11.4 TWh in 2011. In Belgium, in March 2012, the CCGT plant at Marcinelle entered service. Following the exercise of the put option by Duferco, Enel now owns 100% of the company.

Upstream Gas Function

The year 2012 was a pivotal one for the development of the Group's upstream activities, operations that will make gas supply portfolio of Enel more secure, flexible and competitive, with domestic demand of about 30 billion cubic meters in Italy, Spain, Russia and Latin America.

The reserve certification confirmed an increase of 19% in Enel's share over the previous year, for total proven reserves of about 917 million barrels of oil equivalent and for proven and probable reserves of 1,490 million barrels of oil equivalent.

In Russia, production of hydrocarbons began in April, with Enel's share for the year amounting to more than 300 million cubic meters of gas and 2.3 million barrels of oil equivalent. In December, a second production train was launched, doubling capacity.

In Algeria, with the presentation of the Field Development Report in August, work began on the development of the Ain Tsila field (Isarene), where Enel has a share of 18.4%. The field is expected to go into production at the end of 2017 with a plateau of about 3.5 billion cubic meters. In September, following the drilling of the first of the five planned exploration wells, a hydrocarbon discovery was announced for the South East Illizi permit, in which Enel has a stake of 13.5%.

In Italy, Enel continued to expand its portfolio through the identification of two new exploration prospects, the award of two exploration permits and the submission of two new applications.

Engineering and Research Division

During 2012, the Engineering and Research Division continued with the construction and modernization of Group generation plants, with a special focus on enhancing environmental performance, and initiated strategic research projects leveraging synergies within the Group.

In Italy, the electrostatic precipitators in unit 4 at the Brindisi power plant were replaced with bag filters in just 13 weeks (Best International Performance). The change will reduce particulate emissions by 80%. At the same site, work is under way on the construction of a covered storage facility for coal and the associated transport systems, as well as the renovation of port facilities, which will enable the recovery of rainwater, reducing the consumption of water resources.

In Belgium, the Marcinelle plant (410 MW CCGT) entered service, while in South America the Division provided support to Endesa for the commissioning and operation of the Bocamina plant in Chile. In Russia, the Reftinskaya plant of Enel OGC-5 remains an important site for the activities of the Division: work is almost done on construction of the largest plant in the world for the dry transportation and storage of ash, both in terms of capacity and length (dry ash removal system), and the environmental upgrading and revamping of the first of the 10 units of the plant is nearing completion. This project will improve the efficiency of particulate and NOx reduction and will extend the useful life of the unit by 20 years.

With regard to the Nuclear Area, the monitoring and reporting of the safety performance of plants (Nuclear Safety Oversight - NSO) was made even more effective, while engineering activities began to support the implementation, at the plants operated by the Group, of improvement measures identified during the stress testing. In Slovakia, the team engaged in the construction of units 3 and 4 of the Mochovce nuclear power plant was strengthened further, including through the transfer of specialist staff previously working at the Flamanville 3 project in France, for which the right of withdrawal was exercised in December 2012.

In research and development, building on the experience gained with the Archimede solar thermal power plant using molten salts (5 MW) at Siracusa, the construction of a test circuit for testing new salt blends and innovative components was initiated at the same site. Research in the field of photovoltaic technologies continued at the Catania laboratory, while testing of the main electricity storage technologies and their integration with renewable energy systems continued at the Livorno laboratory. Finally, as part of the ENCIO project at the Enel plant in Fusina, construction began on an experimental station with no equal in the world in terms of size or type. It will enable the full-scale testing of components and materials for future high-efficiency coal-fired plants (50%).

Outlook

The persistence of macroeconomic weakness in Italy and Spain is accompanied by signs of recovery in the United States and robust fundamentals in the emerging markets, which could help drive a slow recovery in Europe.

The outlook for the renewables business remains positive, with steady expansion in many geographical areas, together with the markets in Latin America and Eastern Europe, which continue to post significant growth, confirming the soundness of the Group's strategy to enter international markets.

The Group will concentrate on ensuring financial stability, adopting a strategy of preserving margins in mature markets, using a range of flexible and adjustable actions.

Maintaining a focus on growing markets will also involve strengthening the Group's presence in the emerging countries and in the renewables sector, pursuing the evolution of our business in a direction that will see these two segments making an increasingly major contribution.

The reorganization and enhancement of efficiency within the Group, the generation of strong cash flows and the maximization of synergies will proceed in step with the rigorous implementation of the investment plan and close attention to maintaining our rating.

The Group will continue to boost technological innovation designed to make electricity generation ever more efficient and environmentally sustainable and to develop innovative solutions for its customers, ranging from energy efficiency tools to smart grids.

All of these factors, together with close attention to service quality and relations with local communities supported by a transparent corporate social responsibility policy, will enable the Group to secure today, as well as in the future, value creation for all of our stakeholders.

Enel's decision to diversify its activities geographically towards growing economies, together with the strategy of developing renewable energy and achieving a balanced portfolio of regulated and unregulated activities, will enable us to cope effectively with the possible impact of the economic weakness on the Group's performance.

The Chief Executive Officer

Fulvio Conti

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

Summary of the resolutions of the Ordinary Shareholders' Meeting of April 30, 2013

The Ordinary Shareholders' Meeting of Enel SpA held in Rome in single call on April 30, 2013 at the Enel Conference Center at 125, Viale Regina Margherita, adopted the following resolutions:

- 1) approved the financial statements of Enel SpA for the year ended December 31, 2012, having acknowledged the results of the consolidated financial statements of the Enel Group for the year ended December 31, 2012, which closed with net income attributable to shareholders of the Parent Company of €865 million;
- 2) resolved, with regard to Enel SpA's net income for the year 2012, amounting to €3,420,002,506.06, to:
 - a) earmark for distribution to shareholders, as dividend, €0.15 for each of the 9,403,357,795 ordinary shares in circulation on June 24, 2013, the scheduled ex-dividend date, for an overall amount of €1,410,503,669.25;
 - b) earmark for "retained earnings" the remainder of the aforesaid net income, amounting to a total of €2,009,498,836.81; pay – before withholding tax, if any – the aforesaid dividend for 2012 of €0.15 per ordinary share as from June 27, 2013, with the ex-dividend date of coupon no. 21 falling on June 24, 2013;
- 3) appointed the new Board of Statutory Auditors, which will remain in office until the approval of the financial statements for 2015, in the persons of:
 - Sergio Duca - Chairman;
 - Lidia d'Alessio -Regular Auditor;
 - Gennaro Mariconda - Regular Auditor;
 - Giulia De Martino - Alternate Auditor;
 - Pierpaolo Singer - Alternate Auditor;
 - Franco Tutino - Alternate Auditor;setting their compensation at €85,000 a year for the Chairman and €75,000 a year for the other regular Auditors, in addition to the reimbursement of the expenses incurred in the performance of their duties;
- 4) resolved in favor of the first section of the remuneration report drawn up pursuant to Article 123-ter of Legislative Decree 58 dated February 24, 1998, and Article 84-*quater* of the Issuers' Regulation adopted by CONSOB with resolution 11971/1999, containing the description of the policy for the remuneration of Directors, General Manager and executives with strategic responsibilities adopted by the Company for the financial year 2013, as well as the procedures used for the adoption and implementation of such policy.

Enel and the financial markets

	2012	2011
Dividend per share (euro)	0.15	0.26
Share price - 12-month high (euro)	3.31	4.83
Share price - 12-month low (euro)	2.03	2.84
Average share price in December (euro)	3.06	3.08
Market capitalization ⁽¹⁾ (millions of euro)	28,774	28,962
No. of shares outstanding at December 31 (millions)	9,403	9,403

(1) Calculated on average share price in December.

	Current ⁽¹⁾	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2010
Enel stock weighting in:				
- FTSE MIB index	9.92%	11.02%	12.98%	10.53%
- STOXX Europe 600 Utilities index	7.54%	8.33%	8.25%	8.07%
- Bloomberg World Electric index	2.63%	3.17%	2.93%	3.16%
Rating				
	Current ⁽¹⁾	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2010
Standard & Poor's	Outlook	Negative	Negative Watch	Negative Stable
	Medium/long-term	BBB+	BBB+	A-
	Short-term	A-2	A-2	A-2
Moody's	Outlook	Negative	Negative	Negative
	Medium/long-term	Baa2	Baa2	A3
	Short-term	P2	P2	P2
Fitch	Outlook	Negative	Watch Negative	Stable
	Medium/long-term	BBB+	BBB+	A-
	Short-term	F2	F2	F2

(1) Figures updated to March 1, 2013.

The growth of the global economy in 2012 slowed substantially from the pace registered in 2011.

In the main emerging economies, the pace of economic activity in 2012, while remaining positive, continued to decelerate, reflecting the adverse impact of economic conditions in the mature economies, especially those in the euro area. Italian GDP contracted substantially in 2012.

Despite the economic weakness, international financial markets showed signs of stabilizing over the course of the year. Stock prices rose generally and country risk pre-

miums declined, especially for the euro-area countries most exposed to the tensions. The abatement of strains on government securities also fostered an improvement in financial conditions for enterprises, lowering risk premiums.

At the same time, this risk remains primarily linked to the outlook for global growth and the stabilization of the European economies.

The main European stock indices closed 2012 with gains, with the exception of Spain's Ibex35 index, which ended the year down about 5%.



In Italy, the FTSE Italia All Share closed 2012 with a gain of 8.4%. The German stock market, represented by the DAX index, posted a substantial 29.1% gain, while the CAC-40 in France gained 14.6% and London's FTSE 100 rose by 6.3%.

In this context share prices in the European utilities segment ran counter to the trend, falling slightly over the course of 2012 (the STOXX 600 Utilities index, which groups the largest companies by capitalization listed on the various European markets, closed 2012 down 1%).

As regards Enel shares, the year ended with the stock price virtually unchanged from the end of the previous year at €3.138. The performance was essentially in line with that of the European utilities sector as a whole but markedly better than the performance of Enel's main European competitors. All the main industry players closed the year with their stock prices sharply down, with the exception of RWE (more specifically, E.ON posted a fall of 15.5%; EDF one of 26.6%; GDF-Suez one of 27.0%; and Iberdrola one of 14.6%, while RWE rose by 15.1%).

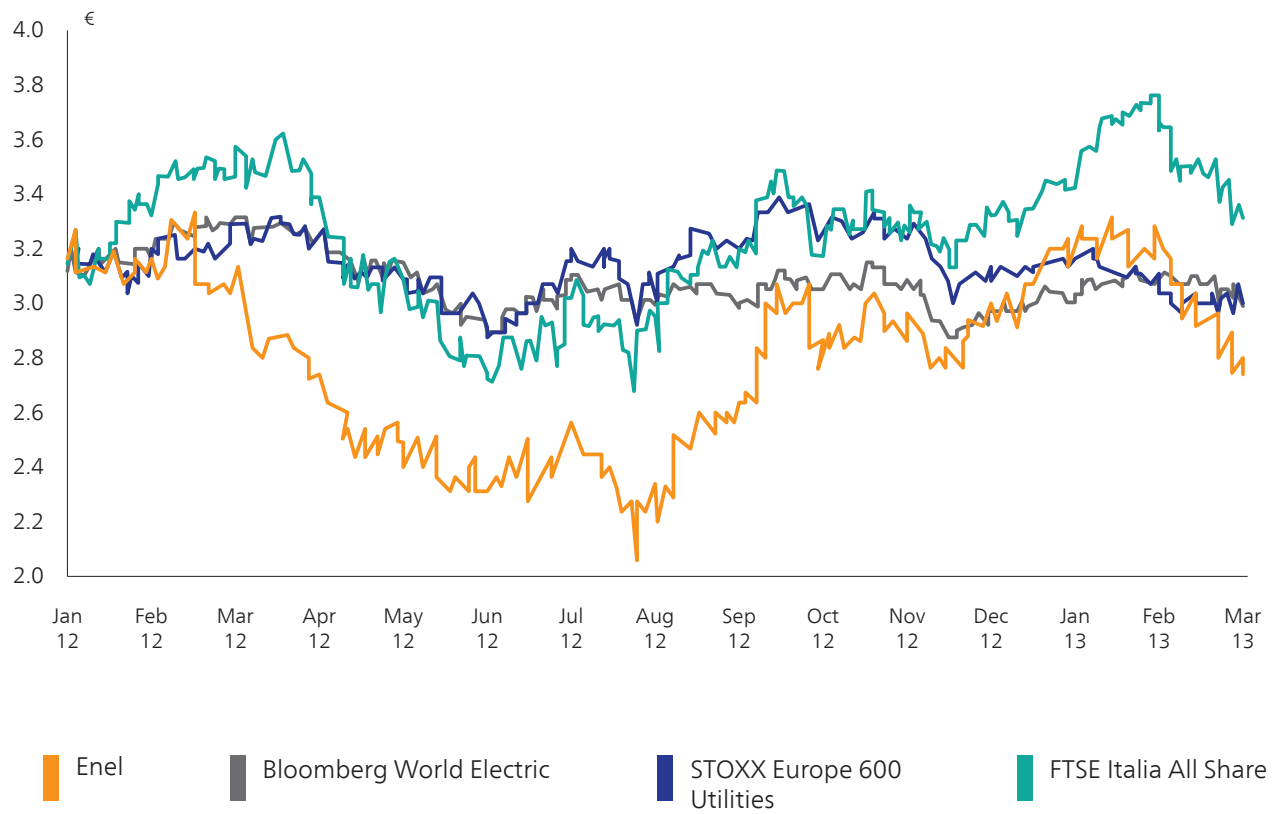
On June 21, 2012, Enel paid the balance of the dividend on 2011 profits of €0.16 per share.

At December 31, 2012 the Ministry for the Economy and Finance held 31.2% of Enel, while institutional investors 40.5% and individual investors the remaining 28.3%.

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

We have also created contact centers for private investors (which can be reached by phone at +39-0683054000 or by e-mail at azionisti.retail@enel.com) and for institutional investors (phone: +39-0683051; e-mail: investor.relations@enel.com).

Performance of Enel share price and the Bloomberg World Electric, STOXX Europe 600 Utilities and FTSE Italia All Share indices from January 1, 2012 to March 1, 2013



Source: Bloomberg.

Activity of Enel SpA

In its capacity as an industrial holding company, Enel SpA defines strategic targets for the Group and subsidiaries and coordinates their activities. As part of its function of direction and coordination, the activities that Enel SpA conducts with the other Group companies can be summarized as follows:

- > corporate governance;
- > corporate finance and financial planning;
- > tax planning and strategy;
- > risk assessment management;
- > legal policy;
- > setting guidelines for management training and remuneration policy;
- > institutional relations;
- > setting guidelines for accounting;
- > strategic marketing.

Enel SpA also performs central treasury functions and covers insurance risks.

In addition, until December 31, 2011, Enel SpA held a contract for the import of electricity with Alpiq (formerly Atel) on the Swiss border. An integral part of the agreement with the Swiss company was the "Settlement Agreement", which essentially provided for Enel and Alpiq to split equally any gains or losses resulting on the contract under certain conditions.

The power imported under the contract was sold to the Single Buyer at a set price and was used to supply the enhanced protection market (the former regulated market).

Significant events in 2012



2

February

Disposal of stake in Terna

On February 2, 2012, Enel SpA completed the placement, launched the day before, of its entire stake in Terna, equal to 5.1% of the share capital (102,384,037 ordinary shares) for €280.5 million.

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

Enel engaged Banca IMI, JP Morgan, Mediobanca and

UniCredit as joint bookrunners to carry out the transaction.

2

February

€3.0 billion bond issue for Italian retail investors

On February 2, 2012, CONSOB approved publication of the prospectus relating to the offering and listing on the electronic bond market (*Mercato Telematico delle Obbligazioni e dei Titoli di Stato - MOT*) of Enel SpA fixed- and floating-rate bonds reserved for retail investors in Italy for a maximum aggregate amount of €1.5 billion, an amount that could be increased to up to €3.0 billion.

The issue was approved by the Board of Directors of Enel



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

Subsequently, on February 10, 2012, Enel announced that, in agreement with the lead managers of the offering, it had exercised the option to increase the overall nominal value of the offer of bonds reserved for retail investors up to the maximum total amount of €3.0 billion.

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

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

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

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

Banca IMI, BNP Paribas and UniCredit acted as offering coordinators and lead managers. The bonds were placed by a placement and guarantee syndicate coordinated and directed by Banca IMI, BNP Paribas and UniCredit and composed of MPS Capital Services, Banca Akros and Centrobanca, with the participation of banks, securities investment companies and other authorized intermediaries.

Enel requested and received ratings for the bonds (A- from Fitch, A3 from Moody's and A- from Standard & Poor's). They have been admitted for trading on the MOT, which will ensure that they are highly liquid, thereby facilitating trading on secondary market.

8

March

Enel rating revised by Standard & Poor's

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

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

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

17

May

Enel rating revised by Moody's

On May 17, 2012, Moody's rating agency announced that it had revised the long-term rating of Enel SpA to "Baa1" from the previous "A3". The agency also confirmed Enel's short-term rating of "Prime-2" and changed the Com-

pany's outlook to "stable" from "negative". The change in Enel's rating mainly reflects the weak macroeconomic conditions in the Italian and Spanish markets, and the decline in margins in the power generation industry. The rating also reflects amendments to the regulatory and tax frameworks in Italy and Spain.

On the positive side, Moody's noted that the Company has lengthened its debt maturity profile and increased its liquidity, which now covers all maturing liabilities through 2014. This gives Enel greater flexibility in the current volatile funding environment.

11

July

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

On July 11, 2012, Enel and consumer associations (ACU, Adiconsum, Adoc, ADUSBEF, Assoconsum, Assoutenti, Casa del Consumatore, Cittadinanzattiva, Federconsumatori, Lega Consumatori, Movimento Consumatori, Movimento Difesa del Cittadino and Unione Nazionale Consumatori, which belong to the National Council of Consumers and Users) signed a major agreement providing for an extraordinary grant for households that suffered hardship as a result of the exceptionally severe snow storm in February 2012. As part of its corporate social responsibility commitment, Enel agreed with the consumer associations to make a special payment for the hardship caused by service interruptions of more than three and a half days, in addition to the measures provided for in the Authority for Electricity and Gas (the Authority) Resolution ARG/elt no. 198/2011.

The grant, which varies in relation to the duration of the interruption, amounts to €90 for each additional 24 hours subsequent to the three and a half day threshold. It supplements the indemnity of €300 already provided for in the Authority Resolution, up to a maximum of €650.

2

August

Enel rating revised by Fitch

On August 2, 2012, the Fitch rating agency announced that it had lowered its long-term rating of Enel SpA to

"BBB+" from the previous "A-". Fitch also announced that it had confirmed Enel's short-term rating of "F2". The negative rating watch was maintained for both ratings. The change in the rating mainly reflected weakening macroeconomic conditions in the Spanish market, as well as uncertainties linked to developments in the regulatory framework and delays in the securitization of the rate deficit.

11 September

Board approved new bond issues of up to €5 billion

On September 11, 2012, the Board of Directors of Enel approved the issue of one or more bonds by December 31, 2013, for a total of up to €5 billion. The issues form part of the strategy to extend the average maturity of the Group's consolidated debt and to optimize the profile of its medium and long-term maturities. The bonds can be placed with institutional or retail investors, depending upon the opportunities presented by the market.

The bonds may be issued directly by Enel or by its Dutch subsidiary Enel Finance International NV (guaranteed by the Parent Company), depending upon the opportunities this second option may present for placement of the bonds on foreign markets. At the same time, the Board of Directors also revoked its resolution of November 9, 2011, authorizing the issue of one or more bonds by December 31, 2012. The revocation did not affect the validity and the effects of the issues already carried out and the guarantees granted in execution of that resolution.

8

October

€2 billion bond issue on European market

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

- > €1 billion at a rate of 3.625% maturing on April 17, 2018;
- > €1 billion at a rate of 4.875% maturing on April 17, 2023.

Both tranches are listed on regulated markets.

6

November

Enel rating revised by Moody's

On November 6, 2012, Moody's rating agency announced that it had revised its long-term rating for Enel SpA to "Baa2" (from the previous "Baa1"). The agency also said that it had maintained its short-term rating for Enel at "Prime-2".

The outlook is negative.

According to Moody's, the adjustment of Enel's rating mainly reflects the macroeconomic, political and regulatory challenges that utilities are facing in Italy and Spain, partly associated with the ratings assigned to the sovereign debt of Spain ("Baa3", with a negative outlook) and Italy ("Baa2", with a negative outlook). The agency said that the change in Enel's rating also reflects the narrowing of margins in the power generation sector,

mainly in Italy, and changes in the regulatory and fiscal framework of the electricity sector in Spain.

On a positive note, Moody's noted that the Group has extended the maturity of its debt and increased its liquidity, which now covers its maturing obligations through all of 2014 and even beyond. This gives Enel greater flexibility in accessing financing sources, even in today's volatile market environment.

Performance and financial position of Enel SpA

Definition of performance indicators

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

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

- > *Gross operating margin*: an operating performance indicator, calculated as "Operating income" plus "Depreciation, amortization and impairment losses".
- > *Net non-current assets*: calculated as the difference between "Non-current assets" and "Non-current liabilities" with the exception of:
 - "Deferred tax assets";
 - "Financial receivables due from other entities" and "Receivables due from subsidiaries" reported under "Non-current financial assets";
 - "Long-term loans";
 - "Post-employment and other employee benefits";
 - "Provisions for risks and charges";
- "Deferred tax liabilities".
- > *Net current assets*: calculated as the difference between "Current assets" and "Current liabilities" with the exception of:
 - "Financial receivables" and "Loans to subsidiaries" reported under "Current financial assets";
 - "Cash and cash equivalents";
 - "Short-term loans" and the "Current portion of long-term loans".
- > *Net capital employed*: calculated as the algebraic sum of "Net non-current assets" and "Net current assets", provisions not previously considered, "Deferred tax liabilities" and "Deferred tax assets".
- > *Net financial debt*: a financial structure indicator, determined by "Long-term loans", "Current portion of long-term loans" and "Short-term loans" less "Cash and cash equivalents", financial receivables included under "Non-current financial assets" and "Current financial assets". More generally, net financial debt is calculated in conformity with paragraph 127 of Recommendation CESR/05-054b implementing Regulation (EC) no. 809/2004 and in line with the CONSOB instructions of July 26, 2007 for the definition of the net financial position, less financial receivables and long-term securities.

Performance

The following table summarizes the performance of Enel SpA in 2012 and 2011:

Millions of euro

	2012	2011	Change
Revenues			
Revenues from sales and services	327.6	732.0	(404.4)
Other revenues and income	7.0	29.8	(22.8)
Total	334.6	761.8	(427.2)
Costs			
Electricity purchases and consumables	2.1	360.8	(358.7)
Services, leases and rentals	235.7	275.6	(39.9)
Personnel	120.4	117.8	2.6
Other operating expenses	60.1	70.2	(10.1)
Total	418.3	824.4	(406.1)
Gross operating margin	(83.7)	(62.6)	(21.1)
Depreciation, amortization and impairment losses	13.2	33.3	(20.1)
Operating income	(96.9)	(95.9)	(1.0)
Net financial income/(expense) and income from equity investments			
Income from equity investments	4,174.7	3,222.9	951.8
Financial income	1,600.2	2,826.3	(1,226.1)
Financial expense	2,446.3	3,698.4	(1,252.1)
Total	3,328.6	2,350.8	977.8
Income before taxes	3,231.7	2,254.9	976.8
Income taxes	(188.3)	(212.0)	23.7
NET INCOME FOR THE YEAR	3,420.0	2,466.9	953.1

Revenues from sales and services totaled €327.6 million (€732.0 million in 2011), and essentially regard services provided to subsidiaries as part of Enel SpA's direction and coordination functions and the rebilling of costs incurred by Enel SpA but pertaining to the subsidiaries. The decrease of €404.4 million from 2011 is mainly attributable to the cessation of revenues from the sale of electricity owing to the expiry on December 31, 2011 of the contract with Alpiq (€374.4 million) and lower revenues from services rendered to Group companies (€30.4 million).

Other revenues and income came to €7.0 million, a decrease of €22.8 million compared with 2011, mainly attributable to the recognition in the previous year of the income from the sale of the investment in Deval SpA (€21.1 million).

Costs for **electricity purchases and consumables** came to €2.1 million, a decrease of €358.7 million on the previous year, of which 359.0 million due to the expiry of the electricity import contract with Alpiq.

Costs for **services, leases and rentals** amounted to €235.7 million, of which charges from third parties in the amount of €149.0 million and from Group companies in the amount of €86.7 million. The costs attributable to third parties mainly regarded communication expenses, technical and professional services as well as strategic, management and corporate organization consulting. Those in respect of services provided by Group companies regard IT and administrative services and purchasing, as well as rental income and personnel training received from Enel Servizi, and costs for the personnel of a number of Group companies seconded to Enel SpA. The total decrease of €39.9 million on 2011 is largely due to lower costs in respect of services rendered by non-Group vendors (€39.5 million).

Personnel costs totaled €120.4 million and regarded an average workforce of 852 (850 in 2011). The total was up €2.6 million, mainly due to higher costs in respect of employee early retirement incentives.

Other operating expenses amounted to €60.1 million, a decrease on the previous year of €10.1 million, mainly due to lower accruals to provision for risks and charges (€5.9 million) and a reduction in association dues for trade associations (€2.7 million).

The **gross operating margin** came to a negative €83.7 million, a deterioration of €21.1 million compared with the previous year.

Depreciation, amortization and impairment losses came to €13.2 million, of which depreciation of property, plant and equipment of €2.0 million, amortization of intangible assets of €9.2 million and impairment losses of 2.0 million. The decline of €20.1 million is essentially attributable to the effect of the recognition in 2011 of the value adjustments of the investments in Enel.NewHydro and Enel Power to reflect their recoverable value (€20.7 million).

Operating income amounted to a negative €96.9 million, essentially in line with the previous year (a loss of €95.9 million).

Income from equity investments amounted to €4,174.7 million (€3,222.9 million in 2011). The item regards dividends approved in 2012 by subsidiaries and other investees in the amount of €3,940.4 million, as well as the gain on the disposal of the investment in Terna in the amount of €234.3 million.

Net financial expense totaled €846.1 million, a decrease of €26.0 million from 2011. More specifically, the reduction in net charges on interest rate derivatives (€78.7 million) was partially offset by the decline in interest income and other revenue from current financial assets (€14.7 million) mainly due to lower interest income on the intercompany current account, as well as the recognition in 2011 of net income of €42.1 million connected with the exercise of the "bonus share" granted in 2010 as part of the global offering of Enel Green Power SpA shares.

Income taxes showed a tax receivable of €188.3 million, mainly due to the reduction in taxable income for IRES purposes as a result of the exclusion of 95% of dividends received from subsidiaries. The estimate of income taxes also takes account of the deductibility of Enel SpA interest expense for the Group's consolidated taxation mechanism in accordance with corporate income tax law (Article 96 of the Uniform Tax Code, as replaced by Law 244 of December 24, 2007, the 2008 Finance Act).

The effective tax rate on pre-tax income was a negative 5.8% in 2012, compared with a negative 9.4% in 2011. This essentially reflected both the difference between the two years in the amount of dividends received from subsidiaries and the proceeds (which were partially tax exempt) from the sale of the interest in Terna SpA.

Net income for the year came to €3,420.0 million, compared with net income of €2,466.9 million in 2011.

Analysis of Enel's financial position

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Net non-current assets:			
- property, plant and equipment and intangible assets	16.2	22.9	(6.7)
- net equity investments	39,189.1	38,758.9	430.2
- net other non-current assets/(liabilities)	(654.8)	(598.6)	(56.2)
Total	38,550.5	38,183.2	367.3
Net current assets:			
- trade receivables	477.8	573.5	(95.7)
- net other current assets/(liabilities)	(381.2)	(423.7)	42.5
- trade payables	(193.4)	(328.6)	135.2
Total	(96.8)	(178.8)	82.0
Gross capital employed	38,453.7	38,004.4	449.3
Provisions:			
- post-employment and other employee benefits	(333.2)	(350.2)	17.0
- provisions for risks and charges and net deferred taxes	145.3	129.8	15.5
Total	(187.9)	(220.4)	32.5
Net capital employed	38,265.8	37,784.0	481.8
Shareholders' equity	25,828.0	24,190.0	1,638.0
NET FINANCIAL DEBT	12,437.8	13,594.0	(1,156.2)

Net non-current assets amounted to €38,550.5 million, a rise of €367.3 million, mainly due to:

- > a net increase of €430.2 million in the carrying amount of equity investments, essentially attributable to the recapitalization of the subsidiary Enel Energy Europe SL (€3,000.0 million), the effect of which was partially offset by the reimbursement from Enel Distribuzione SpA of the "Reserve for the reduction of share capital" as a special dividend (€2,258.0 million), by the sale of the investment in Terna SpA (€265.7 million) and by the decrease associated with the definitive bonus grant of shares in Enel Green Power SpA as part of the "bonus share" mechanism (€47.0 million);
- > an increase of €56.2 million in net other non-current liabilities, essentially attributable to the decrease in non-current financial assets not included in debt (€226.4 million), partially offset by the reduction in the value of derivatives classified under non-current financial liabilities (€182.3 million).

Net current assets came to a negative €96.8 million, an increase of €82.0 million compared with December 31, 2011. The change is attributable to:

- > a decrease of €135.2 million in trade payables, essen-

tially those due to third parties, mainly as the result of the cessation of electricity supply arrangements following the expiring of the contract with Alpiq;

- > a decline of €42.5 million in other net current liabilities, mainly due to the decrease in the Group VAT liability (€114.8 million) and the elimination of the liability recognized the previous year in respect of the Enel Green Power bonus shares (€47.2 million), the effects of which were partially offset by the decline in the income tax receivable of Enel SpA (€106.3 million);
- > a decrease of €95.7 million in trade receivables, essentially due to the elimination of receivables in respect of the Single Buyer following the expiry of the contract with Alpiq.

Net capital employed at December 31, 2012, came to €38,265.8 million, funded by shareholders' equity of €25,828.0 million and net financial debt of €12,437.8 million.

Shareholders' equity totaled €25,828.0 million at December 31, 2012, an increase of €1,638.0 million compared with 2011. The change is attributable to the recognition of net income for the year of €3,142.6 million net of

the distribution of the balance of the dividend for 2011 of €1,504.6 million (€0.16 per share).

Net financial debt came to €12,437.8 million at the end of the year, with a debt/equity ratio of 0.48 (0.56 at the end of 2011).

Analysis of the financial structure

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

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Long-term debt:			
- bank loans	492.4	1,307.0	(814.6)
- bonds	16,322.4	14,275.8	2,046.6
- debt assumed and loans from subsidiaries	2,500.0	2,500.0	-
<i>Long-term debt</i>	<i>19,314.8</i>	<i>18,082.8</i>	<i>1,232.0</i>
- financial receivables from others	(167.9)	(159.4)	(8.5)
- debt assumed and loans to subsidiaries	(138.2)	(165.5)	27.3
Net long-term debt	19,008.7	17,757.9	1,250.8
Short-term debt/(liquidity):			
- short-term portion of long-term debt	808.9	4,113.3	(3,304.4)
- short-term bank debt	137.6	636.4	(498.8)
- short-term debt due to Group companies	1,200.0	-	1,200.0
- cash collateral received	687.9	642.1	45.8
<i>Short-term debt</i>	<i>2,834.4</i>	<i>5,391.8</i>	<i>(2,557.4)</i>
- short-term portion of long-term financial receivables	(0.4)	(0.3)	(0.1)
- short-term portion of loans assumed/granted	(27.3)	(15.5)	(11.8)
- short-term loans to Group companies	-	(120.0)	120.0
- other financial receivables	(12.8)	(22.3)	9.5
- cash collateral paid	(622.7)	(593.1)	(29.6)
- net short-term financial position with Group companies	(2,281.5)	(6,972.5)	4,691.0
- cash and cash equivalents and short-term securities	(6,460.6)	(1,832.0)	(4,628.6)
Net short-term debt/(liquidity)	(6,570.9)	(4,163.9)	(2,407.0)
NET FINANCIAL DEBT	12,437.8	13,594.0	(1,156.2)

At December 31, 2012, net financial debt amounted to €12,437.8 million, a decrease of €1,156.2 million as the result of an increase in the net short-term creditor position in the amount of €2,407.0 million, partially offset by the rise in net long-term debt in the amount of €1,250.8 million.

More specifically, the reduction in financial debt is mainly due to:

- > ordinary and voluntary repayments totaling €1,987.4 million on the original €35 billion syndicated credit line, of which:
 - €1,156.4 million in respect of the tranche falling due

in April 2012;

- €831.0 million in respect of the tranche falling due in 2014;
- > the repayment of bank credit lines in the total amount of €1,900.0 million;
- > the repayment of maturing tranches of bond issues in the total amount of €1,057.5 million;
- > a reduction in drawings on short-term bank credit lines in the overall amount of €498.8 million;
- > the issue of a fixed and floating-rate bond maturing on February 20, 2018, for Italian retail investors in the total amount of €3,000.0 million, structured as follows:

- €2,500.0 million fixed-rate 4.875%;
 - €500.0 million floating rate;
- > drawings on the credit line with the subsidiary Enel Finance International NV totaling €1,200.0 million.

Cash and cash equivalents came to €6,460.6 million, an increase of €4,628.6 million compared with December 31, 2011. The rise reflects the reduction of €4,691.0 million in the net creditor position on the intercompany current account held with subsidiaries, mainly in respect of transactions with Enel Produzione (€3,043.0 million) and Enel

Distribuzione (€1,979.7 million). The changes were the consequence of the Enel Group's refinancing plan designed to lengthen the average maturity of debt, including giving a more active role to Enel Finance International NV as the intercompany lender.

The high level of liquidity held with banks reflects Enel's strategy of managing the deterioration over the course of 2012 in the economic crisis that has impacted the euro area.

Cash flows

Millions of euro

	2012	2011	Change
Cash and cash equivalents at the beginning of the year	1,832.0	2,117.0	(285.0)
Cash flows from operating activities	3,208.0	2,477.4	730.6
Cash flows from investing/disinvesting activities	(466.7)	(7.5)	(459.2)
Cash flows from financing activities	1,887.3	(2,754.9)	4,642.2
Cash and cash equivalents at the end of the year	6,460.6	1,832.0	4,628.6

Cash flows from operating activities came to a positive €3,208.0 million, compared with €2,477.4 million in 2011, an increase of €730.6 million essentially attributable to the increase in dividends received from subsidiaries.

Cash flows from investing activities were a negative €466.7 million (compared with a negative €7.5 million in 2011). They essentially regard the outlay associated with the recapitalization of Enel Energy Europe (€3,000.0 million), partially offset by the reimbursement from Enel Distribuzione of the "Reserve for the reduction of share capital" as a special dividend (€2,258.0 million) and the disposal of the investment in Terna (€280.5 million).

Cash flows in respect of financing activities were a positive €1,887.3 million (compared with a negative €2,754.9 million in 2011). They mainly regarded the liquidity generated

by the decline in the overall borrowing of Group companies on intercompany current accounts (€4,691.0 million), the issue of a bond for retail investors (€3,000.0 million) and drawings on the credit line with Enel Finance International (€1,200.0 million). These factors were partially offset by the liquidity used for repayment of long-term loans (€5,058.5 million), a reduction in drawings on short-term bank credit lines (€498.8 million) and the payment of the balance of the dividend for 2011 (€1,504.6 million).

In 2012, the cash requirements generated by investing activities (€466.7 million) were amply covered by the liquidity generated by operating activities (€3,208.0 million) and financing activities (€1,887.3 million). Consequently, cash and cash equivalents at December 31, 2012 amounted to €6,460.6 million, compared with €1,832.0 million at the start of the year.

Results of the main subsidiaries

Enel Produzione SpA

In 2012, Enel Produzione delivered 59.3 TWh of electricity to the grid (63.1 TWh in 2011), 48.4 TWh of which from thermal generation and 10.9 TWh from hydroelectric generation. Compared with the previous year, power delivered thus fell by 3.8 TWh. The change was due both to the decline in thermal generation (2.3 TWh), which was partially contained by the increase in the operation of coal plants, and to the reduction in renewable generation (1.5 TWh) as a result, in part, of lower levels of water availability in 2012 compared with 2011.

Electricity sales, including quantities purchased from SE Hydropower and SF Energy (totaling 2.4 TWh), were conducted under bilateral contracts, mainly with Enel Trade (52.4 TWh, equal to 84.9%) and on the Power Exchange (8.9 TWh, or 14.5%), while the remaining 0.4 TWh (0.6%) related to subsidized energy. In 2012, CO₂ emissions totaled 38.2 million metric tons, while allowances assigned at December 31, 2012 totaled 32.0 million metric tons.

During 2012, the most important corporate events and extraordinary operations for the company were as follows:

- > the subscription, on March 9, 2012, of the company's share (€1.7 million) of the share capital increase authorized by the associate Compagnia del Porto di Civitavecchia SpA. This increase was partially (€1.0 million) settled by waiving repayment of a loan granted by Enel Produzione in 2011, with the remainder being paid in cash;
- > the purchase and sale of a 4.5% stake in the associate Alpe Adria Energia SpA in execution of an agreement reached by shareholders in March 2012 in order to enable the departure of the shareholder Verbund Italia SpA and the entrance of the new shareholder, Burgo Group SpA. As a result of this transaction, Enel Produzione realized a gain of €0.05 million, while leaving its stake in the company at 40.5%;
- > the resumption to operations of the biomass section of the Mercure (Calabria) plant on December 5, 2012, following an extended period of downtime, which began

in 2005 due to authorization issues;

- > the agreement, on October 25, 2012, of a long-term loan from Enel Finance International NV in the amount of €2,000.0 million for the purpose of rebalancing the company's financial structure through the refinancing of the short-term portion of debt that exceeded the funding needs of operations in favor of long-term debt;
- > the signing, in December 2012, of a short-term revolving facility agreement with Enel Finance International NV for a total of €1,000.0 million in order to implement the New Group Financial Model.

Revenues for 2012 totaled €7,186.7 million (compared with €7,346.6 million in 2011) and relate essentially to:

- > revenues from the sale of electricity to customers in the amount of €3,168.9 million (€3,904.0 million in 2011), a decline of €735.1 million due mainly to the lower quantities sold;
- > revenues from the sale of electricity to Group companies in the amount of €3,871.0 million (€2,825.4 million in 2011), an increase of €1,045.6 million due essentially to the greater quantities sold under bilateral contracts with Enel Trade;
- > revenues from contract work in progress in the amount of €33.8 million (€26.5 million in 2011) related to contracts currently being executed;
- > other revenues and income in the amount of €97.8 million (€470.3 million in 2011), a decline of €372.5 million from the previous year due mainly to the effect of both lower capital gains realized (€223.6 million) and lower revenues related to the recognition of CO₂ allowances assigned to new entrants (€159.9 million), which, in 2011, included revenues pertaining to 2010.

Operating expenses for 2012 came to €6,635.8 million (€6,108.7 million in 2011), an increase of €527.1 million, mainly attributable to the following:

- > an increase of €241.8 million in costs for the purchase

of raw materials and consumables related essentially to the increase in costs for electricity purchases (€324.1 million), partially offset by lower costs for the purchase of fuels (€96.1 million);

- > an increase of €187.7 million in other operating expenses due mainly to the increase in costs for CO₂ emissions, €80.5 million of which related to the purchase of CERs and €41.3 million for green certificates, as well as to an increase in costs for property taxes (IMU) in the amount of €46.0 million;
- > an increase of €61.4 million in personnel expenses due largely to non-recurring items that increased in 2012 after falling in 2011;
- > an increase of €51.4 million in costs for services related mainly to an increase in fees related to energy sales (€26.1 million), in maintenance and repair costs (€17.6 million), and costs for the disposal of ash, gypsum, particulates and other waste (€11.7 million);
- > a decrease of €18.8 million in depreciation, amortization and impairment losses due essentially to an increase in writebacks – €41.2 million related to the Mercure plant, which was written down in 2008 and reactivated in December 2012 after being transformed from fuel oil to biomass – which more than offset the increase in impairment losses and in depreciation and amortization related to the adjustment in the value of the equity investment held in Compagnia del Porto di Civitavecchia SpA to the value of the portion of equity held (€12.1 million).

Net income from commodity risk management came to €15.2 million (€118.2 million in 2011), a decline of €103.0 million due essentially to the decrease in the outcome of commodity price hedging (€407.5 million), which was partially offset by the increase in the outcome in exchange rate hedging related to commodities (€237.5 million) and by the increase in the outcome of hedges of congestion fees (€63.7 million).

Operating income, in the amount of €566.1 million, declined by €790.9 million from 2011.

Net financial expense and charges in respect of equity investments totaled €111.2 million (€73.7 million in 2011), increasing by €37.5 million. The change was mainly the result of an increase in interest expense on financing received, in the amount of €12.1 million, as well as the adjustment of the present value of provisions for risks and charges in the amount of €13.6 million, and a decrease in net income on equity investments in the amount of €5.1 million as a result of the decline in dividends received in 2012 compared with 2011.

Net income for the year, after taxes for the period in the amount of €232.5 million, came to €222.4 million (€788.7 million in 2011).

Capital expenditure on property, plant and equipment and intangible assets amounted to €344.9 million (€411.3 million in 2011).

Net capital employed at December 31, 2012 amounted to €10,617.3 million (€11,313.1 million at December 31, 2011), is composed of net non-current assets of €11,368.2 million, negative net current assets of €253.0 million, and provisions and net deferred taxes of €497.9 million.

This capital employed is funded by **shareholders' equity** in the amount of €6,173.9 million (€6,843.9 million at December 31, 2011) and **net financial debt** in the amount of €4,443.4 million (€4,469.2 million at December 31, 2011). The debt-to-equity ratio went from the 65.3% at December 31, 2011, to 72.0% at December 31, 2012.

The **workforce** at December 31, 2012, numbered 5,564 employees, compared with 5,808 at December 31, 2011.

Enel Green Power SpA

Enel Green Power, established on December 1, 2008, is the Enel Group company responsible for developing and managing power generation from renewable

sources in line with the Group's strategies.

In 2012 Enel Green Power SpA delivered 11.3 TWh of elec-

tricity to the grid (11.6 TWh in 2011), of which 5.3 TWh from hydroelectric generation (5.7 TWh in 2011), 5.2 TWh from geothermal (5.3 TWh in 2011) and 0.8 TWh (0.6 TWh in 2011) from other sources (wind and photovoltaic).

Compared with the previous year, electricity delivered fell by 2.8%, due essentially to the decline in hydroelectric generation, owing to lower water availability, and in geothermal output as a result of a change in the scope of available plants, partially offset by the increase in wind generation attributable to the good performance of wind farms and increased resource availability, as well as a rise in photovoltaic output associated with the expansion of installed capacity.

Energy sales were conducted mainly on the Power Exchange in the amount of 6.2 TWh (6.3 TWh in 2011) and under bilateral contracts in the amount of 4.9 TWh (5.1 TWh in 2011), essentially with Enel Trade. Finally, sales of electricity at subsidized prices to the Energy Services Operator (ESO) totaled 0.2 TWh (0.2 TWh in 2011).

During 2012, the most important corporate events and extraordinary operations for the company were as follows:

- > the €683.0 million recapitalization of the subsidiary Enel Green Power International BV in order to give the company the financing needed to recapitalize Enel Green Power North America Inc. (€381.0 million), Enel Green Power Romania Srl (€262.0 million), Enel Brasil Participações Ltda (€25.0 million), Enel Chile (€11.0 million) and Enel Green Power Jeotermal Enerji Yatirimlari AS (€4.0 million);
- > the acquisition of 22.2% of PH Chucas SA, in part directly and in part indirectly through Enel Green Power International BV, and subsequent recapitalization in the amount of €44.0 million.

Revenues for 2012 totaled €1,284.1 million (€1,216.7 million in 2011) and included revenues from the sale and transport of electricity in the amount of €871.0 million (€872.4 million in 2011), revenues from the sale of green certificates in the amount of €220.7 million (€212.8 million in 2010) and revenues from other sales and services and other revenues in the amount of €192.4 million (€131.5 million in 2011).

Operating expenses came to €806.7 million (€717.0 million in 2011), composed largely of €333.5 million

in depreciation, amortization and impairment losses (€316.0 million in 2011), €211.4 million in costs for services (€206.1 million in 2011), €140.8 million in personnel expenses (€128.3 million in 2011) and €104.5 in costs for raw materials and consumables (€61.2 million in 2011).

The increase of €89.7 million in operating expenses compared with the prior year mainly reflects the increase in costs for raw materials and consumables purchased for subsidiaries, the rise in personnel expenses in line with the expansion in the average workforce and the increase in other operating expenses, as well as higher charges for depreciation, amortization and impairment losses.

Net charges from commodity risk management came to €5.2 million (net charges of €6.6 million in 2011) and regard net realized charges on derivative positions on the price of electricity sold on the Power Exchange closed in 2012.

Operating income came to €472.2 million (€493.1 million in 2011).

Net financial expense and income in respect of equity investments produced net expense of €44.4 million (€53.2 million in 2011), of which €86.8 million (€70.9 million in 2011) in net financial expense and €42.4 million (€17.7 million in 2011) in income from equity investments.

The net charge for net financial expense and income in respect of equity investments decreased by €8.8 million as a result of an increase of €24.7 million in income from equity investments, represented by dividends for 2011 distributed by the subsidiaries of Enel Green Power SpA, partly offset by the rise of €15.9 million in net financial expense on credit lines granted by Enel Green Power International BV.

Net income for the year, after income taxes of €192.3 million, came to €235.5 million, down €11.7 million on 2011.

Capital expenditure on property, plant and equipment and intangible assets amounted to €295.6 million (€339.4 million in 2011).

Net capital employed totaled €9,281.7 million at December 31, 2012 (€8,571.8 million at December 31, 2011), and is made up of net non-current assets of €9,043.6

million (€8,530.7 million at December 31, 2011), net current assets of €199.4 million (€4.2 million at December 31, 2011) and provisions and net deferred taxes of €38.7 million (€36.9 million at December 31, 2011). This capital employed is funded by equity in the amount of €6,507.9 million (70.1%) and net financial debt in the amount of €2,773.8 million (29.9%).

At December 31, 2012, **shareholders' equity** amounted to €6,507.9 million, an increase of €111.6 million compared with December 31, 2011, essentially attributable to net income for the year (€235.5 million), partially offset by the distribution of dividends for 2011 (€124.0 million).

The **workforce** at December 31, 2012 numbered 1,873, compared with 1,756 at December 31, 2011.

Enel Distribuzione SpA

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

In 2012, the company distributed a total of around 238.2 TWh of electricity (245.6 TWh pro forma in 2011) to around 31.7 million end users. The 3.0% reduction in power distributed reflects the decline in electricity demand in Italy, which came to 325.3 TWh in 2012, compared with 334.6 TWh for the previous year.

During 2012, the most important corporate events and extraordinary operations for the company were as follows:

- > the dilution, effective as of February 20, 2012, of the equity interest held in Enel Rete Gas SpA from 19.9% to 14.8% after not subscribing the capital increase allocated to Enel Distribuzione SpA, although the company may restore its interest within 18 months by subscribing to one or more subsequent capital increases;
- > the distribution of a special dividend to Enel SpA on April 20, 2012, in the amount of €3,400.0 million, €2,258.0 million of which as restitution of the "Reserve from the reduction of share capital", which the Parent Company recognized as a reduction in the carrying amount of the stake in Enel Distribuzione SpA, along with an ordinary dividend on 2011 earnings in the amount of €1,865.7 million.

The main financing agreements finalized in 2012 include:

- > the disbursement of a loan of €340.0 million in January 2012 by Cassa Depositi e Prestiti (CDP) as the second extension, signed on December 13, 2011, of the original framework financing agreement signed on April 23, 2009, between CDP and the company;
- > the signing of two 10-year financing agreements with Enel Finance International NV on April 17 and October 26, 2012, in the amounts of €3,500.0 million and €2,000.0 million, respectively;
- > the signing of a financing agreement denominated "Efficienza Rete III B" on July 25, 2012, with the European Investment Bank (EIB) for a total of €380.0 million. The loan, which is intended to cover investments for the period 2012-2014, falls due in 2032 and was disbursed in September (€300.0 million) and December 2012 (€80.0 million).

Revenues for 2012 totaled €7,969.6 million (€7,348.9 million in 2011) and included:

- > revenues from the transport of electricity, including the effect of the equalization mechanisms, totaling €5,951.6 million (€5,895.4 million in 2011). Compared with the previous year, the increase of €56.2 million may be attributed mainly to the positive effect of the change in rates (as per the Authority for Electricity and Gas' (the Authority) Resolution no. 157/2012) in the amount of €141.5 million, which was partially offset by the negative effect of reclassifications in the amount of €98.5 million, including €56.0 million reclassified to other revenues related to the 2012 portion of the reimbursement of charges already incurred for the elimination of the Electrical Worker Pension Fund and €42.5 million reclassified to financial income in the amount equal to the interest for 2012 on the entire amount recognized;

> other revenues in the amount of €2,018.0 million (€1,453.5 million in 2011), an increase of €564.5 million over the previous year due essentially to combined impact of the recognition in 2012 of the reimbursement, in a single payment, to Enel Distribuzione SpA of the charge incurred for the elimination of the Electrical Worker Pension Fund pursuant to the Authority's Resolution no. 157/2012 in the amount of €615.5 million, the €63.3 million increase in grants for white certificates, a €79.7 million reduction in connection fees, and a decline in service continuity bonuses in the amount of €59.4 million.

Operating expenses amounted to €4,846.0 million (a restated €4,119.5 million for 2011), up by €726.5 million due mainly to the following:

- > an increase of €273.6 million in personnel expenses, due essentially to the net effect of an increase in charges for early retirement incentives in the amount of €154.9 million, the effect of the reversal in 2011 of €84.4 million in provisions in respect of the cost of the defined-benefit "electricity discount" plan in accordance with trade union agreements, and the recognition of the cost connected with the retirement transition plan in the amount of €17.3 million;
- > an increase of €355.1 million in other operating costs, essentially related to the increase in allocations to provisions for risks and charges in the amount of €339.6 million and an increase in costs related to white certificates in the amount of €57.7 million, which was largely due to the greater number of white certificates to be voided for the full compliance obligation for 2012 compared with that of 2011;
- > an increase of €35.0 million in costs for the purchase of materials to be sold to others;
- > an increase of €87.8 million in depreciation, amortization and impairment losses due essentially to an increase in writedowns receivables in 2012 compared with the previous year (€51.3 million);
- > a reduction of €50.8 million in electricity transport costs

due essentially to the elimination, beginning in 2012, of application of the CTR component on electricity delivered to the distribution networks and to the decline in the volumes of electricity withdrawn from the National Transmission Network.

Operating income for 2012 amounted to €3,123.6 million (compared with a restated €3,229.4 million for 2011), a decrease of €105.8 million compared with the previous year.

Net financial expense and charges in respect of equity investments came to €342.7 million (€174.9 million in 2011), an increase of €167.8 million due essentially to a rise of €193.0 million in interest expense on financing received during the year from CDP, the EIB and Enel Finance International NV.

Net income for the year came to €1,625.3 million (as against a restated €1,830.6 million for 2011) net of income taxes for the year in the amount of €1,155.6 million (a restated €1,223.9 million for 2011).

Capital expenditure on property, plant and equipment and intangible assets amounted to €1,470.2 million (a restated €1,342.8 million for 2011).

Net capital employed at December 31, 2012, came to €11,179.6 million (a restated €11,134.3 million at December 31, 2011) and was composed of net non-current assets in the amount of €14,861.3 million, negative net current assets of €2,599.3 million, and provisions and net deferred taxes of €1,082.4 million.

Net capital employed is funded by **shareholder's equity** of €5,179.0 million (46.3%) and **net financial debt** of €6,000.6 million (53.7%).

The **workforce** at December 31, 2012 numbered 18,309, compared with 18,637 at December 31, 2011.

Enel Servizio Elettrico SpA

Incorporated on September 13, 2007 pursuant to Decree Law 73 of June 18, 2007, containing urgent measures for implementation of Community regulations

concerning the liberalization of energy markets (ratified with Law 125 of August 3, 2007), the company's corporate purpose is the exercise of activities relating to the

sale of electricity to enhanced protection customers, namely residential customers and small businesses (with fewer than 50 employees and an annual turnover of €10 million or less) on low-voltage connections. Until April 30, 2008, the company had also been selling electricity to safeguard market end users, namely customers other than residential users and small companies that have not selected a supplier in the free market, or are without a supplier. In accordance with Resolution no. 337/2007 of the Authority, these customers were assigned on the basis of a tender to free market electricity vendors as from May 1, 2008.

In 2012, the demand for electricity in Italy totaled 325.3 TWh, a decrease of 2.8% from 2011.

Electricity sold by Enel Servizio Elettrico SpA during the year totaled 60.3 TWh and was sold entirely on the enhanced protection market.

In 2012, the Authority, with Resolution no. 583/2012/R/EEL, introduced new criteria for calculating the RCV component beginning as of 2012, granting operators on the enhanced protection market greater remuneration of the unpaid ratio, breaking it down by type of customer and geographical area. In 2012, this mechanism for covering costs related to non-payment produced a €61.2 million increase in revenues.

During the year, Enel Servizio Elettrico SpA continued the revolving non-recourse assignment begun in 2011 of part of its trade receivables in respect of its mass-market customers. In 2012, assignments involved receivables for invoices issued in the amount of €13,522.4 million and receivables for invoices to be issued in the amount of €1,604.0 million.

Of these receivables, net of total transaction costs of €217.3 million, €14,786.0 million were collected in 2012, while the remaining €123.1 million was reclassified as short-term financial receivables and securities.

Revenues for 2012 totaled €10,097.7 million and were mainly composed of revenues from the sale and transport of electricity in the amount of €9,406.0 million, as well as grid-connection fees in the amount of €407.0 million. The increase of €30.8 million over the previous year was essentially due to an increase in other revenues from both Enel Distribuzione SpA, as a result of indemnities for service interruptions paid to customers on be-

half of the distributor (€59.2 million) in accordance with Authority Resolution no. 333/2007, and from third parties in reflection of the “non-payment fee” established with Authority Resolution no. 219/2010 (€4.1 million), the increase in revenues from the sale and transport of electricity (€8.4 million) connected with the rise in revenues recognized for the sales marketing services, and the increase in revenues for contributions from the Electricity Equalization Fund (€4.4 million). These factors were partially offset by a decrease in revenues for grid connection fees, including reimbursements of expenses for the reactivation of previously non-paying customers (€48.3 million).

Operating expenses amounted to €10,084.1 million and are essentially composed of electricity purchases in the amount of €5,993.9 million, mainly from the Single Buyer (€5,991.1 million), and to costs for services in the amount of €3,512.0 million, of which €3,356.1 million paid to Group companies essentially in respect of electricity transport (€2,844.3 million) and grid connection services (€295.1 million). The increase of €64.0 million in operating expenses from the previous year was essentially the net effect of the following:

- > an increase in depreciation, amortization and impairment losses (€87.4 million) related mainly to the increase in allowances for doubtful accounts; an increase in other operating expenses (€86.4 million) connected with the greater allocations to provisions for risks and charges and costs for indemnities to customers for extended service interruptions, as well as an increase in personnel expenses (€26.4 million) and in costs for the transport of electricity by other Group companies (€17.4 million);
- > a reduction in electricity purchases from the Single Buyer (€111.3 million) and a decrease in costs for connection and plant fees paid to Enel Distribuzione SpA (€50.9 million).

Operating income totaled €13.6 million, a decrease of €33.2 million compared with 2011.

Net financial expense and income in respect of equity investments came to €13.7 million, and include financial expense in the amount of €63.6 million, financial income in the amount of €49.8 million, and income from equity investments in the amount of €0.1 million. Compared with 2011, net financial expense increased by

€12.4 million due essentially to an increase in financial expense on the non-recourse assignment of trade receivables (€22.8 million), an increase in interest expense on customer security deposits (€12.4 million), and an increase in net interest expense on the intercompany current account held with the Parent Company (€14.5 million), all partially offset by an increase in financial income on the deposit agreement of €1,200.0 million entered into with Enel Finance International NV at the end of 2011 (€36.0 million) and the greater default interest income (€1.3 million).

The **net loss** for 2012 came to €54.5 million after income taxes for the period of €54.4 million.

Capital expenditure on property, plant and equipment and intangible assets totaled €34.8 million, of which €22.8 million in respect of intangible assets essentially composed of invoicing and credit management

systems and €12.0 million in respect of property, plant and equipment for leasehold improvements and other assets.

Net capital employed at December 31, 2012, came to a negative €2,325.6 million and was composed of net non-current assets of €90.4 million, negative net current assets of €2,350.8 million, provisions of €172.0 million, and net deferred tax assets of €106.8 million.

At December 31, 2012, **shareholders' equity** amounted to €41.7 million, decreasing by €54.5 million from December 31, 2011, due to the net loss posted for the year.

Net liquidity came to €2,367.3 million, up €216.9 million.

The **workforce** at December 31, 2012 numbered 2,685, compared with 2,754 at December 31, 2011.

Enel Energia SpA

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

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

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

For 2011-2013, the company was awarded the safeguard service for the following five areas: Umbria and Marche, Sardinia, Campania, Basilicata and Calabria, Sicily.

In 2012, Enel Energia strengthened its leadership on the Italian free market by focusing on the combined sale of electricity and gas. The company closed 2012 with some 4.4 million free-market electricity customers and about 3.2 million gas customers.

During the year, Enel Energia continued the non-recourse assignment of its receivables, a number of which transactions had already begun in 2011.

More specifically, the company:

- > continued the non-recourse assignment of its receivables to UniCredit Factoring mainly regarding receivables from government bodies;
- > continued the transaction with SACE FCT for the non-recourse assignment of receivables from central and local government bodies;
- > continued the transaction with CREDEM Factoring for the non-recourse assignment of receivables from central and local government bodies;
- > continued the transaction with Crédit Agricole for the revolving, non-recourse assignment of receivables from private-sector customers;
- > continued the transaction with Mediofactoring for the non-recourse assignment of receivables from private-

sector customers;

- > began a transaction with Banca Sistema for the non-recourse assignment of receivables from central and local government bodies;
- > began a transaction with BNP Paribas SA for the revolving, non-recourse assignment of receivables from private-sector customers.

Of the total amount of receivables assigned (€2,394.0 million), €2,357.0 million, net of interest and commissions, were collected in 2012.

Revenues from sales and services amounted to €9,817.3 million (€8,694.6 million in 2011) and refer mainly to the sale of electricity in the amount of €4,260.5 million and gas in the amount of €2,010.8 million, as well as transport revenues in the amount of €3,487.3 million. The increase of €1,122.7 million compared with 2011 is essentially due to an increase in revenues from electricity sales and transport following an increase in quantities sold and to an increase in revenues from gas sales and transport following an increase in the average sales price.

Operating expenses came to €9,768.9 million (€8,705.6 million in 2011) and include electricity purchases in the amount of €3,547.7 million, gas purchases of €1,661.2 million, and costs for services in the amount of €4,150.0 million. The increase of €1,063.3 compared with the previous year is mainly due to an increase in costs for electricity purchases and transport in proportion to the increase in quantities sold, an increase in costs for the purchase and transport of gas following an increase in average sales prices, and a consequent increase in the provisioning, wheeling and transport of electricity and gas.

Net income from commodity risk management totaled €34.7 million (€54.9 million in 2011) and comprise €46.6 million in charges realized on positions closed during the year and €81.3 million in revenues realized on commodity derivative contracts in effect at December 31, 2012.

Operating income totaled €148.4 million (€71.2 million in 2011), an increase of €77.2 million from the previous year.

Net financial expense came to €22.9 million (€49.2 million in 2011), a decline of €26.3 million, due essentially to an increase in default interest income and accrued interest on installment payments and invoiced to customers following a mass collections effort launched during the year and to a decline in interest expense on the intercompany current account following an improvement in the financial position during 2012.

Net income for the year, after income taxes of €81.5 million, came to €44.0 million (€1.8 million in 2011).

Capital expenditure on property, plant and equipment and intangible assets totaled €61.9 million and mainly included industrial patents and intellectual property rights.

Net capital employed at December 31, 2012 amounted to €1,837.7 million (€1,414.0 million at December 31, 2011), is composed of net non-current assets of €362.3

million, net current assets of €1,370.9 million, and provisions and net deferred taxes of €104.5 million. Net capital employed is funded by shareholder's equity of €1,128.1 million (61.4%) and net financial debt of €709.6 million (38.6%).

Shareholders' equity at December 31, 2012 was €1,128.1 million. Compared with December 31, 2011, equity increased by €13.4 million due to recognition of net income for the year in the amount of €44.0 million and the reduction in the reserve from the measurement of cash flow hedge instruments in the amount of €30.6 million.

The debt-to-equity ratio went from the 26.9% at December 31, 2011, to 62.9% at December 31, 2012.

The **workforce** at December 31, 2012 numbered 989, compared with 991 at December 31, 2011.

Enel Trade SpA

In 2012, Enel Trade managed the procurement of fuels for Enel Group power plants and natural gas for Enel Energia SpA, as well as the direct sale of gas to distributors outside the Group.

The company also traded in energy products on domestic and international markets, provided shipping services and sold electricity to Enel Energia and to wholesalers outside the Group. Furthermore, the company conducted proprietary trading in energy commodities on the leading international markets. Enel Trade also carried out hedging operations on behalf of Enel Group companies to protect against fluctuations in the price of energy commodities and continued to acquire CO₂ emission allowances needed for the Group's generation companies to comply with the applicable regulations.

In 2012, the company sold 250.3 TWh of electricity (236.0 TWh in 2011), of which 53.7 TWh to companies of the Enel Group, 91.2 TWh to domestic third parties and 105.4 TWh to foreign third parties. A total of 23.4 million tons of oil equivalent (20.7 Mtoe in 2011) of fuels were also traded, 14.8 Mtoe of which with the Group and 8.6 Mtoe outside the Group.

During 2012, the most important corporate events and extraordinary operations for the company were as follows:

- > the acquisition, on February 3, 2012, of 24.5% of 75.0% of the mineral interests held by Petroceltic International Plc in respect of the exploration permit for the Isarene area (blocks 228 and 229) in the Illizi basin (Algeria);
- > the acquisition, on February 14, 2012, of a 49.0% interest in the subsidiary Enel Stocaggi Srl, in which the company already held a 51.0% stake;
- > the start of operations, in March 30, 2012, of the combined-cycle power plant with a capacity of about 405 MW, which was constructed by the Enel Group company Marcinelle Energie SA, which under a tolling agreement signed in 2012 between the latter and Enel Trade resulted in the recognition of a carrying amount for the asset of about €328.0 million, against recognition of a financial liability of the same amount.

Revenues from sales and services for 2012 totaled €24,411.3 million (€21,182.9 million in 2011), an increase of €3,228.4 million from the previous year due to a rise in revenues from the sale of electricity (€2,016.2 million) resulting from an increase in volumes handled and to an

increase in revenues from the sale of fuels (€959.5 million) related to greater volumes of gas and coal handled, along with a rise in revenues from other sales and services (€252.7 million) due to greater sales of CO₂ emission allowances.

Operating expenses came to €24,570.9 million (€21,253.8 million in 2011), for a total increase of €3,317.1 million related mainly to greater purchases of raw materials and consumables, particularly for the purchase of electricity (€1,881.3 million), materials (€196.9 million), the latter of which consists essentially of CO₂ certificates, and fuels (€1,135.1 million).

Net income from commodity risk management totaled €116.3 million (€115.5 million the previous year), and reflects charges for contracts for differences in the amount of €27.5 million and income from other contracts on energy and oil commodities in the amount of €143.8 million.

The **operating loss** for 2012 came to €12.6 million, a deterioration of €73.6 million from 2011.

Net financial expense and charges in respect of equity investments totaled €47.0 million (€9.3 million in 2011),

an increase of €37.7 million due mainly to financial expense on the liability in respect of Marcinelle Energie SA for the finance lease on the power plant in Belgium (€25.3 million) and the increase in financial expense on the intercompany current account held with Enel SpA in the amount of €15.5 million.

The **net loss for the year**, including tax effects for the period which had a positive impact of €23.4 million, came to €36.2 million (compared with net income of €25.5 million in 2011).

Net capital employed at December 31, 2012 came to €1,999.0 million, an increase of €392.7 million compared with the end of 2011, and comprises net non-current assets of €772.2 million, net current assets of €1,324.7 million, and provisions of €97.9 million.

Capital employed is funded by **shareholder's equity** in the amount of €849.9 million (€974.5 million at December 31, 2011) and **net financial debt** in the amount of €1,149.1 million (€631.8 million at December 31, 2011).

The **workforce** at December 31, 2012, numbered 358, compared with 348 at December 31, 2011.

Enel Energy Europe SL

This Spanish company, established by Enel SpA on March 22, 2006, is engaged in the acquisition, holding and management of equity interests in other companies, both in Spain and other countries. As of July 1, 2011, it also provides IT support services to the companies of the Endesa Group.

In order to reduce long-term financial debt in respect of Enel Finance International NV, on October 23, 2012, Enel SpA carried out a recapitalization of the company in the total amount of €3,000.0 million. As a result of this transaction, net financial debt went from €18,722.4 million at December 31, 2011, to €15,669.5 million at December 31, 2012.

Revenues for 2012 totaled €270.0 million (€157.3 million in 2011) and include €259.2 million in IT support services

provided to the companies of the Endesa Group (€151.4 million in 2011) and €10.8 million in other services provided to those companies (€5.9 million in 2011). The increase of €112.7 million was attributable to the rise in revenues from IT support services, which were provided for a full year in 2012, whereas in 2011 they began in the 2nd Half of the year.

Operating expenses totaled €265.5 million (€147.1 million in 2011) and include €99.2 million in costs for services, €41.5 million in personnel expenses, €32.3 million in depreciation, amortization and impairment losses, and €92.5 million in the provision of materials. Compared with 2011, operating expenses increased by €118.4 million due to the acquisition, in the 2nd Half of 2011, of the business unit providing IT support services to the companies of the Endesa Group.

Operating income totaled €4.5 million, down €5.7 million.

Income from equity investments amounted to €590.7 million (€503.9 million in 2011), and regards the 2011 dividend approved by Endesa shareholders on June 26, 2012.

Net financial expense came to €813.8 million (€828.9 million in 2011), and essentially regards interest expense on the long-term financing from Enel Finance International NV.

The **net loss for 2012**, net of income taxes for the year of €234.9 million, came to €453.5 million (compared with a net loss of €69.2 million in 2011).

Net capital employed at December 31, 2012, came to €37,747.4 million and comprises net non-current assets of

€38,008.8 million, which essentially reflects the value of the investment in Endesa (a 92.06% stake), as well as negative net current assets of €242.9 million and provisions of €18.5 million.

At December 31, 2012, **shareholders' equity** totaled €22,077.9 million, an increase from December 31, 2011 of €2,545.3 million due essentially to the result of the recapitalization (€3,000.0 million) and the net loss posted for the year (€453.5 million).

As mentioned above, **net financial debt** at December 31, 2012 came to €15,669.5 million (€18,722.4 million at December 31, 2011).

The **workforce** at December 31, 2012, numbered 408 (380 at December 31, 2011).

Enel Investment Holding BV

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

During 2012, the most important corporate events and extraordinary operations regarding the company were as follows:

- > the acquisition, on December 19, 2012, of the remaining 20.0% interest in Marcinelle Energie SA from Dufferco Belgium for €36.2 million;
- > the granting, in December 2012, of a short-term revolving facility agreement by Enel Finance International NV in the amount of €700.0 million to be used by April 2013 and expiring on December 31, 2013, for the purpose of implementing the new Group financial model. At December 31, 2012, €300.0 million of the facility had been drawn.

Revenues for 2012 amounted to €1.5 million and essentially concerned the provision of services to the Dutch subsidiaries.

Costs amounted to €125.5 million (€46.1 million in 2011), and mainly included impairment losses of €123.4 million recognized in respect of Marcinelle Energie SA, which has

been classified under "Assets and liabilities held for sale", in order to adjust the carrying amount of the shareholding to fair value.

Net financial income and income from equity investments amounted to €84.5 million, and include:

- > income from equity investments in the amount of €92.2 million related to the dividends distributed by Res Holding BV (€85.5 million), Pragma Energy SA (€0.9 million) and PT Bayan Resources Tbk (€5.8 million);
- > net financial expense in the amount of €7.7 million due exclusively to the net interest expense accrued on the intercompany current account with Enel SpA.

The **net loss for the year** came to €40.1 million (compared with net income of €168.7 million for 2011).

Net capital employed at December 31, 2012 came to €4,516.7 million (€4,956.8 million at December 31, 2011) and is made up of net non-current assets of €5,332.2 million, related essentially to equity investments held, and negative net current assets of €815.5 million.

Shareholders' equity came to €4,161.6 million (€4,497.2 million at December 31, 2011), a reduction of €335.6 mil-

lion from December 31, 2011, due to the net loss posted for the year and the net negative change in the fair value of the (available-for-sale) investments in Echelon Corporation and PT Bayan Resources Tbk (€295.5 million).

Net financial debt amounted to €355.1 million (€459.6 million at December 31, 2011), and is essentially related to

the financial liability in respect of the Parent Company in the amount of €65.8 million and Enel Finance International NV in the amount of €300.0 million for the revolving facility agreement noted earlier.

The **workforce** at December 31, 2012, numbered 3 employees, a decrease of 2 from the previous year.

Enel Finance International NV

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

During 2012, the company:

- > received full repayment of the \$387.9 million revolving line of credit granted in 2007 to Enel France SA;
- > authorized a new short-term deposit agreement in order to optimize the process of centralizing cash management for the Enel Group. At December 31, 2012, the deposit totaled €1,200.0 million;
- > extended the due date on the revolving line of credit granted to Marcinelle Energie SA on March 15, 2010, to December 31, 2013. At December 31, 2012, €236.7 million of the facility had been drawn.

At the end of 2012, €25.9 million of the revolving line of credit granted in 2009 to Enel Lease EURL was drawn, while the €1,200.0 million revolving line of credit and the €2,500.0 million long-term multicurrency (euro, dollar and any other currency required) facility granted in 2010 to Enel Green Power International BV had, as of December 31, 2012, been drawn in the amount of €110.5 million and €2,460.9 million, respectively.

On January 1, 2008, the company granted the Parent Company a long-term facility in the amount of €7,865.0 million, expiring on December 31, 2013, which was renegotiated in 2010 for a remaining balance of €2,500.0 million with a term of 15 years.

The line of credit in the original amount of €10,000.0 million granted by the company to Enel Energy Europe on November 30, 2009, and then increased to €18,000.0 million in 2010, was reduced to €15,000.0 million in December 2012.

New financing granted to Group companies includes:

- > the 5-year revolving line of credit granted in November 2011 to Endesa SA for a total of €3,500.0 million, of which €500.0 million was drawn at December 2012, and the revolving line of credit granted in December 2011 to Enel Energy Europe SL for a total of €2,000.0 million, expiring in December 2013, of which €16.5 million was drawn at December 31, 2012;
- > two long-term loans to Enel Distribuzione SpA, one in the amount of €3,500.0 million granted on April 17, 2012, and one in the amount of €2,000.0 million granted on October 26, 2012;
- > a €2,000.0 million long-term loan granted to Enel Produzione on October 25, 2012;
- > the granting of a short-term revolving facility agreement in December 2012 for a total of €4,200.0 million to be used by April 2013 by Enel Produzione, Enel Trade, Enel Sole, Enel Investment Holding, Enel Energia and Enel.Factor to the extent each firm has been authorized in order to implement the new Group financial model. The agreement expires on December 31, 2013.

Of the 5-year €10 billion revolving line of credit established together with Enel SpA on April 19, 2010, none was drawn by the company at December 31, 2012.

In 2007, the company, together with Enel SpA, Mediobanca (Banca di Credito Finanziario SpA) and other banks, had signed a multi-tranche syndicated line of credit (the 2007 Credit Facility Agreement) with a total original limit of €35 billion, of which €7,513.1 million was attributable to Enel Finance International at December 31, 2008. In 2009, in order to finance the acquisition of a further 25.01% stake in Endesa from Acciona, the credit line was increased to €3,021.5 million for Enel Finance International's use (the 2009 Credit Facility Agreement, "facility C increase"). Following early and

voluntary repayments, at December 31, 2012, the outstanding nominal liability for the company amounted to €218.7 million.

Regarding the Euro Commercial Paper (ECP) Programme that the company initiated in 2005 for a limit of €4.0 billion – subsequently increased to €6.0 billion in May 2010 – with the company as the issuer and Enel SpA as the guarantor, the total commercial paper issued and not yet repaid came to €2,555.5 million at December 31, 2012.

At December 31, 2012, the €30 billion Global Medium-Term Notes program issued by the company and Enel SpA (increased by the company's Board of Directors to €35 billion in December 2012) had been used as follows: a total of \$3.5 billion and ¥20.0 billion (equivalent to about €2.6 billion) for a multi-tranche bond issue in 2007; just under €10.0 billion for a multi-tranche bond issue in 2009 in euros, pounds and dollars; about €4.4 billion for a multi-tranche bond issue in 2011 in euros, Swiss francs and yen; and a total of about €4.1 billion for a multi-tranche issue of bonds in euros and Swiss francs in 2012.

At December 31, 2012, the total balance of the notes issued was €21.4 billion.

Bank loans received included three term loan facility agreements of €3,200.0 million, €250.0 million and €100.0 million respectively, all with a term of five years and all fully

drawn at December 31, 2012.

Other charges amounted to €4.4 million, represented by €3.2 million in costs related to operations and €1.2 million in personnel expenses.

Net financial income totaled €91.5 million and is mainly accounted for by the company's lending activities, as well as realized and unrealized foreign exchange gains in connection with lending activities in foreign currencies, net of the related hedges.

Net income for the year, after income taxes of €14.3 million, came to €72.8 million (€98.8 million in 2011).

At December 31, 2012, total **financing requirements** came to €221.1 million, an increase of €730.9 million from December 31, 2011, due essentially to the net decrease in the fair value of derivative financial instruments, as well as greater accrued financial liabilities related to an increase in lending to Group companies. These requirements were entirely covered by equity in the amount of €1,047.6 million (€1,470.3 million at December 31, 2011), while the net financial position was positive at €1,268.7 million (€960.5 million at December 31, 2011).

The **workforce** at December 31, 2012, numbered 7 employees, an increase of 2 from the previous year.

Enel Servizi Srl

In 2012, the One Company project, intended to effect a profound transformation of Enel's organization, called for the creation of three global service functions (Global ICT, Global Procurement, and Global Business Services) at the Group level, which would work for all Group companies in Italy and abroad.

More specifically, the Global ICT unit will provide information and communication technology services, the Global Procurement unit will provide procurement services, and the Global Business Services unit will provide administration, personnel, facility management, security and other general services.

As such, one of the main corporate events that affected the company during the year was the completion, on Au-

gust 1, 2012, of the transfer of the "Security" business unit from Enel SpA. This included all tangible and intangible assets, trade payables, legal relationships and the related contracts.

In addition, as the real estate investment fund to be seeded by the Group's properties not being used in operations was not established, during the year, following the conclusion of negotiations with Idea Fimit SGR, the company signed an agreement with that company for the acquisition, by Enel Servizi, of the documentation and technical activities carried out by Idea Fimit regarding those properties and began the disposal of the properties as an alternative to the fund and the sale procedures normally adopted.

Revenues for the year came to €1,148.1 million (€1,112.4 million in 2011), increasing by €35.7 million due mainly to an increase in revenues from services connected essentially with IT services, to greater sales of goods, and to an increase in revenues from construction contracts related to IT projects and work to upgrade and renovate properties, carried out mainly for companies of the Group.

Operating expenses amounted to €1,077.3 million (€1,029.3 million in 2011), an increase of €48.0 million due essentially to greater costs for services, leases and rentals (€57.0 million), which mainly includes IT services, as well as to an increase in costs for raw materials and consumables (€11.6 million), partially offset by a reduction in other operating expenses (€14.4 million) related essentially to lower allocations to provisions for risks and charges.

Operating income totaled €70.8 million (€83.1 million in 2011).

Net financial expense totaled €14.9 million (€15.0 million in 2011) and includes €1.6 million in financial income, related mainly to foreign exchange gains (€1.0 million) and interest income on the intercompany current account

(€0.4 million), and €16.5 million in financial expense related essentially to interest expense and other charges on medium and long-term financing (€7.3 million) and charges connected with the present value measurement of post-employment and other employee benefits (€5.5 million).

Net income for the year, after income taxes of €16.4 million, came to €39.5 million (€29.8 million in 2011).

Capital expenditure on property, plant and equipment and intangible assets amounted to €48.0 million.

Net capital employed totaled €566.2 million and is made up of net non-current assets of €545.2 million, net current assets of €152.1 million, and provisions and net deferred tax assets of €131.1 million. Net capital employed is funded by **shareholders' equity** of €533.6 million (€524.0 million at December 31, 2011) and **net financial debt** of €32.6 million (compared with a net creditor position of €76.4 million at December 31, 2011).

At December 31, 2012, the **workforce** numbered 3,764 (3,817 at December 31, 2011).

Human resources and organization

Organization

In 2012, a new Group operations model was rolled out, the aim being driving Enel to become an integrated multi-national energy group and improve organizational effectiveness and decision-making processes.

The Group is structured as follows:

- > holding company functions, which are responsible for guiding and monitoring the strategic activities of the Enel Group (Administration, Finance and Control; External Relations; Human Resources and Organization; Regulatory, Environment and Innovation; Audit; Legal and Corporate Secretariat; and Risk Management);
- > global service functions for the Enel Group, charged with providing services for the entire Group and maximizing synergies and economies of scale (Global ICT, Global Procurement and Global Business Services);
- > business lines, which operate the business activities in their area.

In particular,

- > with reference to the Sales Division: (i) an end-to-end approach was applied to the "Credit" area to improve management of the process phases; (ii) the Marketing area was reorganized to leverage the synergies available from the administration of Power and Gas commodity activities;
- > in the Infrastructure and Networks Division, the Group set up organizational structures for the promotion and development of international business services related to grid technologies, electronic meters and smart grids;
- > in the International Division: (i) in Romania, the Sales area created an "Energy Sourcing and Sale" unit to centralize sourcing, pricing and free market activities and achieve greater efficiency by following an "end-to-end" approach; (ii) in Russia, the Generation area was strengthened with a view to implementing Enel Group best practices to reduce current spending on maintenance and improve the management of external contracts;
- > in the Renewable Energy Division: (i) the new organi-

zational model for the "Engineering and Construction" area was finalized. Its implementation rationalized the organizational structure of the area and generate new synergies in Engineering operations, with enhanced resource assessment and plant design and, with reference to project management, improve technology and country coverage; (ii) as part of the "Business Development" area a new unit, "Business Development Photovoltaic Solar", was set up to maximize the opportunities of solar energy; (iii) the organization of the retail business (Enel.si) has been redefined on a process basis, with the addition of a new "Sales Management" unit to optimize the sales force;

- > in the Engineering and Research Division, the "Nuclear" technical area has been rationalized as a result of the strategic repositioning of the Group, as has the "Safety" area, with a view to exploiting the synergies available from integrated management systems.

Progress was made with the One Company project, the aim of which is to promote the integration of the various Group areas by establishing a common language and consistent decision-making processes, and by allocating clear roles and responsibilities. As part of the Group Performance Improvement Program, work continued on the development of the Best Practices Sharing (BPS) project, which seeks to disseminate operational excellence in the generation, commercial, nuclear and distribution business lines throughout the entire Group and foster the standardization of Key Performance Indicators (KPI) and the adoption of common procedures and reporting standards among the different geographical areas.

During 2012, work also began on the development of a Global Professional System, a catalogue of the professional roles, described in terms of required skills, in all the professional areas of the Group.

As part of the path towards integration, Enel continues to focus on international mobility, and in 2012 around 770

people were posted abroad as part of the Group's international transfer policy.

Another tool for integration is the Climate and Safety Survey. At the end of 2012, the survey gathered the views of Enel workers regarding the workplace climate and safety issues. The findings will make it possible to draw up a series of targeted improvement actions to be implemented

in 2013 and 2014.

Finally, integration is also being supported with the Group's Talent Management system, which delineates a common set of criteria for the selection and development of talent throughout Enel, and through Goal Managerial Training, a program for Group managers.



Hiring

The channels typically used for recruiting are the corporate website, external databases and job meetings. The hiring procedures vary according to the type of recruit being sought:

- > for young university graduates, the process entails a preliminary online evaluation followed – if the candidate is successful in this first phase – by a visit to an assessment center. Candidates deemed suitable are then tested on their professional knowledge;
- > for secondary school graduates seeking technical and operational posts, the process entails an interview, which may be supplemented by practical exams and technical questions;
- > for candidates with significant professional experience, the process entails targeted interviews aimed at assessing both the aptitude and professional skills of

the candidate. The aptitude test is based on the Enel Leadership Model.

The hiring programs vary according to the type of recruit. In particular, projects for the integration of university graduates include on-the-job training and structured training courses that, in addition to providing the tools necessary for them to perform their work, contribute to their personal and professional development.

The initiatives for encouraging mobility within the Group include the development of cross-cutting skills, and enabling employees to apply for postings to vacant positions at home or abroad through the so-called job posting.

The Twin Positions Exchange Program, which provides for the exchange of staff between different countries and participation in groups working on projects with a global impact, also contributes to the internationalization of the Group.

Development

The Performance Review, which in 2012 involved about 40,000 people (employees, supervisors and executives), measures goals and behaviors with reference to the Enel Leadership Model.

In keeping with the new approach introduced in 2011, all the phases of the process are fully transparent with respect to the aspects evaluated and the associated results.

The high level of participation in the process attests to its perceived importance for Group employees. The percentage of completed assessments in 2012 was virtually total (99.9%), in line with the result for 2011. Meanwhile, a growing number of people are taking the opportunity for self-assessment (70% in 2012, 68% in 2011, 63% in 2010). The Group's first and second-line managers were involved in performance evaluations using the Feedback 360° process, with a total of 320 people being evaluated. This performance measurement tool is increasingly becoming a vehicle of corporate development as more informed use is made of its results.

In 2012, work started on the revision of the evaluation activities as part of a global approach to get closer to the people working for the Group and that can be adopted consistently in different situations, the aim being to assure equal opportunities for growth throughout the Group.

The activities associated with the definition of the Global Professional System will continue in 2013 as the Group completes the range of assessment tools at its disposal. The Global Professional System, which evaluates professional skills, will then complement the Performance Review, which assesses behavior and progress made towards the achievement of objectives.

The Talent Management Program seeks to identify people with excellent performance, high potential, interdisciplinary experience and knowledge of English, who are necessary for a Group such as Enel that depends on the high quality of its staff and needs managers capable of navigating their way through a global environment.

For the first time, structured interviews and assessment tests based on three drivers, Ability, Engagement and Aspiration, were used to measure potential.

This system, based on meritocratic principles, led to the identification of three Pools, as follows. Pool 1 consists of managers with high-responsibility and complex posts whose work demands that they engage with internal and exter-

nal interlocutors. Thanks to their inclusion in this Pool, the managers have the opportunity to prepare themselves for one of the top 100 posts in the Group (at the level of Senior Vice-President or Executive Vice-President). Pool 2 consists of people who have a solid professional background, currently hold pre-managerial coordinating roles and are focused on attaining managerial posts of increasing complexity in the medium term. Finally, the Pool 3 consists of young employees with high growth potential who aspire to enhance their careers through interdisciplinary and/or international experience.

In 2012, as in previous years, the ambition of turning Enel into a veritable school of management studies was the inspiration for the development of the following training programs:

- > Pool 1: the Leadership for Energy: Executive Program (LEEP), designed at Harvard Business School;
- > Pool 2: the Leadership for Energy: Management Program (LEMP), designed at SDA Bocconi and IESE;
- > Pool 3: the Training Development Program, managed by Enel University with the assistance of external experts.

In 2012, activities relating to the development of talent included an initiative that involved the appointment of some Pool 1 managers to the boards of unlisted Group companies and the organization of a training course to prepare them for their new role as directors. The initiative also served as a means for the extensive roll-out, ahead of schedule, of an equal opportunities policy for access to the management and control bodies of the Group. In 2012 and early 2013, 11 new women directors were appointed as part of a plan to ensure that, wherever possible, at least one third of board members are women.

The Climate Survey entered its fourth year, and the survey tools were updated both to reflect the strategic priorities and values of the Enel Group and to accelerate the implementation of actions to tackle deficiencies. In addition to the topics traditionally found in the questionnaire (change management, management style, meritocracy, operational excellence, communication, labor relations), 2012 saw the addition of sections relating to employees' perceptions and opinions on engagement (motivation and dedication to work), as well as innovation, corporate image, corporate social responsibility and diversity. The 2012 survey also dedicated more space to employees' perceptions of the cultu-

re of workplace safety, health and safety processes and the impact of actions taken.

This new approach will enable Enel to draw up an index of Engagement and Safety, and keep track of the chief determining factors. With the help of the index, Enel will be well placed to pinpoint where it needs to intervene to effect improvements. The rate of employee participation in the glo-

bal survey of climate in the workplace was very high (84%). The Group's attentiveness to people and to its own global dimension is evident also in the Diversity Project, which, from an international perspective, looks at aspects such as gender, age, disability and multiculturalism with a view to ensuring a better work-life balance for employees, and includes both global and local actions.

Training

In the course of 2012, Enel University completed the review of in-house training courses to fit with the new management model introduced in 2011. The year also saw the launch of Global One Aligned (GOAL), a campaign to align the goals and behaviors of the Group's managers with those envisaged for them in the One Company project. The training, which began in 2012, will end in the 1st Half of 2013, and different programs are taking place in the various countries where the Group is present.

The Post Performance Review courses for managers and

employees covered most of the training needs for soft skills in 2012.

In addition to the existing technical and functional academies (Procurement, Administration, Finance and Control, Legal, Engineering) a new Energy Management Academy was launched. Finally, drawing on the results of the GPS project, the architecture of the Academies for Generation and for Engineering and Construction with an international scope was developed.

Compensation and incentive systems

The compensation policy for 2012 remained consistent with the rationale and philosophy adopted in previous years.

As is done every year, appropriate external benchmarks were chosen and the necessary steps were taken to ensure that compensation levels remained competitive with those of the relevant markets.

Selective changes were made to fixed remuneration, the-

reby confirming a merit-based policy aimed at rewarding "high-value" skills within each professional family.

With regard to short-term incentives, management by objectives (MBO) was confirmed as the leading tool, involving about 98% of senior management and 19% of middle management. For the commercial segment, the commercial incentive system remains the primary short-term incentives mechanism.



Workplace health and safety

The "5+1" program

Following in the footsteps of the Nine Points project, the year saw the roll-out of the "5+1" program, which divides the process of improving health and safety into six key areas:

- > development of a culture of safety and training;
- > safety in tender processes;
- > communication;
- > structural safety and technological innovation;
- > major works;
- > health.

The program envisages the creation of six permanent workgroups, chaired in turn by an Executive Sponsor. Their task will be to promote the deployment and consolidation of health and safety initiatives throughout the Group. Through close collaboration with the business line and different company functions, the working groups should be able to foster synergies, disseminate best practices and encourage bottom-up initiatives. Enel intends to adopt a "glocal" approach, which, in furtherance of the attainment of "One Company, One Vision, One Safety", entails the development of a set of generally applicable and standardized

policies that can be applied to all areas of the Group without, however, disregarding the specific features of local circumstances.

Development of a culture of safety and training

In November, the 2012 Climate and Safety Survey was launched. This was the first survey to include a specific section dedicated to monitoring the culture of safety in different areas of the Enel Group. It examined employees' views of the health and safety processes and assessed the effectiveness of the initiatives implemented. The results will be used to prepare specific improvement plans for each individual company and division of Enel.

The Health & Safety (H&S) standards were also published in the year. They focus on ten activities that are closely associated with Enel's line of business (e.g., electrical work, working at heights, excavations, mechanical lifting and transport).

Apart from ensuring compliance with national regulations, they also set out a series of stringent safety rules to be used as minimum requirements throughout the entire Enel Group.

Safety in tender processes

In the last three years, intensive work has been done to revise the Group's procurement and contracting practices to augment the importance accorded to safety considerations in all phases of the process, from the evaluation and selection of suppliers and contractors to the management and monitoring of companies. The 2012 saw the deployment and consolidation throughout the entire Group of new systems that were rolled out in implementation of an action plan that, although prepared with reference to the Group's diverse geographical areas of operation, nonetheless sets forth a single global policy for the management of contractors and subcontractors. The aim is to make sure that in all areas of operation the various departments of the Group work as one to guarantee common standards of health and safety.

Guidelines on the minimum safety requirements that subcontractors must respect when carrying out contracts with Enel Group companies were published. Without prejudice to national laws, the guidelines set out the conditions for the granting of authorization to subcontract, and specify the safety obligations that both the contractor and subcontractor must observe.

Communication

In November, the fifth edition of the International Health & Safety Week took place. Promoting excellence in this field, the International Health & Safety Week involved all areas of the Enel Group and its purpose is to encourage all those who work for Enel to make a concrete and proactive commitment to guaranteeing safety at work. During the week around 1,400 events were held, including meetings dedicated to the One Safety project, training modules on safety, Safety Days, emergency simulations, Safety Walks, meetings with contractors and workshops on health and prevention. Almost 73,000 people took part.

This year, to coincide with the publication of the H&S standards, a global campaign, "Five Golden Rules for Working in Safety", was launched to promote the basic rules to be followed for the avoidance of accidents.

Structural safety and technological innovation

A survey was carried out to monitor the principal devices being used by the Group to improve infrastructure standards, which led to the preparation of the H&S catalogue.

Major works

Following the mapping of the Group's major construction sites for the purposes of examining how safety procedures are organized and auditing the principal projects for raising safety standards, a peer review plan focused on major construction sites was drawn up.

Health

A Global Health Plan setting a common minimum standard of health was prepared on the basis of a "glocal" approach. The plan sets out a series of awareness-raising and prevention initiatives that are divided into the three components of health identified by the World Health Organization (WHO): physical, mental and social.

Particular attention was given to the prevention of stress and the promotion of health and organizational well-being, for which a specific action plan has been prepared.

The One Safety project

In addition to the "5+1" program, 2012 also featured the One Safety project, a global initiative focused on the behavior of all Enel employees as well as contractors, the aim of which is to promote a coordinated and synergistic effort by the entire Group to achieving the goal of zero injuries. The project pursues two main lines of action: the strengthening of safety leadership (Leadership) and the promotion of safe and responsible conduct (Conduct).

Leadership

The project aims to enhance the awareness of managers in their role as "leaders for safety" by encouraging them to be personally committed to safety in their day-to-day work. The project forms part of the GOAL Managerial Training Program and includes a day dedicated to health and safety issues revolving around the screening of the Enel film "Safety: The Heart of the Matter".

Conduct

The project, which aims to promote the adoption of safe practices by Enel staff and contractors alike and is based on the implementation of a systematic process consisting of conduct monitoring, feedback and the definition of short- and long-term initiatives for improvement, was implemented in about 700 Enel sites in 2012.

Organization

As part of the One Company project, a Health & Safety Holding Handbook was published with the aim of offering uniform policies for the management of health and safety processes within the Group.

The Handbook includes the Stop Work Policy, which reaffirms Enel's commitment to ensuring safe working conditions and a secure occupational environment.

Workplace accident statistics

The downward trend in accident rates continued in 2012. The frequency rate fell by approximately 50% between

2008 and 2012, reaching 1.98, while the severity rate fell by almost 40%, to stand at 0.10. The positive trend was also confirmed by the operational accident frequency rate, which focuses on certain types of severe accidents most closely associated with the Company's core business (electrocutions, falling from heights, blows-crushing-cuts, exposure to hazardous agents, and explosions), and which also fell by 31% compared with 2008.

Serious and fatal accidents involving Enel employees declined by 75% compared with 2008; those involving the employees of contractors declined by almost 70%. In 2012, there were no fatal accidents involving Enel personnel, but there were 11 fatal accidents involving employees of contractors.

This year, two working groups were set up with the aim of investigating the causes of some injuries, which are to be used as case studies. The working groups will also circulate "lessons learned" and identify global improvements that can be made, with particular regard to electrical accidents.

Labor relations

Holding company activities - One Company project

At Group level, the most important activity in 2012 in the area of industrial relations was the One Company project, which involved consultations with workers' representatives both transnationally and at the level of individual countries to discuss the principles underpinning the new organizational shape of the Group, and the important changes it implies.

In the latter half of the year, negotiations began for the renewal of the national collective bargaining agreement in Italy and the equivalent *Convenio Colectivo Marco* for Endesa in Spain, while several company agreements were concluded in Chile, Peru and Brazil.

In a further move towards giving practical effect to the One Company principle by strengthening the framework of industrial relations at a global level, talks on Enel's Global Framework Agreement continued through 2012 with global union federations for electricity industry workers, which led to consensus on the adoption of the new International Industrial Relations Model that Enel developed in 2011. As of 2013, therefore, industrial relations within the Group will be conducted at three levels: national/divisional, European and global.



New Industrial Relations Model, Italy - Renewal of National Collective Bargaining Agreement for the Electricity Sector

In parallel with managing the activities of the Group and in line with its mission as a holding company, in the 1st Half of 2012 Enel negotiated an agreement with the national trade unions for the adoption of the new Industrial Relations Model in Italy, which was duly signed on July 17. The new Model replaces the previous Protocol for labor relations in force since 2003, and is intended to frame a system of union and worker relations that will not only bring certainty to collective bargaining in respect of the parties involved, pay levels, time frames and the content of agreements, but also guarantee that the parties to the agreement will reliably abide by and act according to its terms. The purpose of the new arrangements is to promote dialogue and a constructive climate of participation, which is particularly necessary to cope with the notable economic difficulties faced in Italy and Spain.

The new Model therefore leaves ample room for “bilateralism”, providing for the formation of eight joint committees, some of which, in accordance with the terms of the Global Framework Agreement, will also have a Group-wide reach. These joint company/union committees will address areas of common interest, such as safety policies and security in the workplace, training and employability, and corporate social responsibility. The Model also devo-

tes particular attention to the question of the different levels of union negotiations, the aim being to rationalize the relationship of national and local-level bargaining and arrive at a balanced arrangement in which the requisite flexibility, streamlining and speed demanded by the context can be achieved. A first important application of this new system of negotiation was the management and roll-out, including at a territorial level, of the new organizational structure of the three Global Service functions. The negotiations were completed between October and December, within the two-month period set by the Model. A major feature of the second part of the year was the start of negotiations for the renewal, for the period January 1, 2013 to December 31, 2015, of the national collective bargaining agreement originally signed on March 5, 2010. Specifically, after the national secretariats of the trade unions had set out their bargaining position in July and the first meetings held to appraise the situation, negotiations on the demands themselves began in September, and were conducted in full cognizance of the difficult economic situation facing the country, recognition of which is a necessary preliminary to the renewal of labor agreements.

At the end of 2012, a solution had been worked out for

the electric industry under which part of the funds allocated to the alignment of remuneration packages for all workers in the electricity sector could be allocated to the performance bonus, the rules for which were set out by Enel in the recent agreement on such bonuses, which was applied for the first time in 2012. In addition to financial issues, the negotiations, which ended with the signing of a renewal agreement on February 18, 2013, also addressed some work rules issues relating, in particular, to the classification of personnel and the rules governing the right to strike. In conjunction with the renewal of the employment contract and once again in implementation of the new Model, Enel and the trade unions, acting with reference to the general economic environment and the

difficulties currently affecting the electricity industry, signed a framework agreement on "employability" that sets out a series of tools that may be deployed: 1) policies for the pensioning of workers who fulfill the criteria set out in Article 4 of Law 92/2012; 2) the verification of the conditions for the recruitment of young people on apprenticeship contracts; 3) the insourcing of activities; 4) mobility and vocational retraining, with the involvement of the relevant bilateral committee for training and employability; 5) defensive solidarity agreements, as regulated by the Law 863 of December 19, 1984. This will be followed up in 2013 with special implementing agreements for the optimal management of the difficult economic context, with particular reference to the period 2013-2014.

Research and development

Enel SpA does not directly conduct research and development activities. Such projects are carried out by other Group subsidiaries and associated companies, which in 2012 continued their activities in the development and demonstration of innovative technologies in traditional generation (with a focus on CO₂ capture and storage, hydrogen, emissions reduction, and increasing power plant efficiency), renewable energy (with a focus on innovative photovoltaic and thermal solar, geothermal, wind, sea power, biomass and hybridization), energy storage, energy efficiency combined with distributed power generation, smart grids and electric mobility.

Research and innovation activities are key tools for responding effectively to the challenges of the energy market, helping to anticipate technology trends.

For Enel, innovation is the transformation of knowledge into value for the Company and its stakeholders, generating innovative and sustainable solutions to improve its business today and to create new opportunities for the future.

Innovation is also a key element of the business culture of the Enel Group: for this reason, the promotion of a culture of innovation is a priority effort at all levels of the organization. The participation of employees in the innovation process is actively encouraged, with structured initiatives that foster the contribution of new ideas, ranging from compe-

titions to innovation task forces and programs based on crowd-sourcing methods for collaboration.

The multinational dimension and the cultural diversity within the Group are a major resource for innovation, which is also leveraged through the exchange of experience and knowledge developed in the various countries in which the Group operates. This not only exploits successful innovative activities but also helps implement an effective virtuous mechanism that, drawing on the experience accrued in the diverse areas in which Enel operates, simulates continuous improvement, creativity and innovation.

The production of innovation is also encouraged by reaching outside the organization, through initiatives designed to create, develop and maintain cooperative links with leading national and international research centers with specific initiatives to support entrepreneurship. These include the Enel Lab competition for Italian and Spanish start-ups pursuing innovative projects in the energy field. It was launched in 2012 to find six start-up companies with high technology potential to participate in an incubator program, receiving a capital injection and a series of services to accelerate their growth. The winners will be able to grow their company with full support from Enel, enabling them to transform innovation into real success.

Main risks and uncertainties

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

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

From an organizational standpoint, over the last year specific risk management policies were developed for each

category of risk, identifying management and control roles and responsibilities. More specifically, the governance model for financial, commodity and credit risks was consolidated. In addition to setting out specific policies, the model assigns strategic policy-making responsibilities for risk management activities and supervision of risk management and control activities to special risk committees, both at the Group level and at the division/company level, and establishes the structure of an operational limits system for the Group and for the individual divisions/companies.

Business risks

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

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

The Group often operates in regulated markets, and changes in the rules governing operations in such markets, and the associated instructions and requirements with which the Group must comply, can impact our operations and performance.

In order to mitigate the risks that such factors can engender, Enel has forged closer relationships with local government and regulatory bodies, adopting a transparent, collaborative and proactive approach in tackling

and eliminating sources of instability in regulatory arrangements.

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

EU legislation governing the emissions trading scheme imposes costs for the electricity industry, costs that could rise substantially in the future. In this context, the instability of the emissions allowance market accentuates the difficulties of managing and monitoring the situation. In order to mitigate the risk factors associated with CO₂ regulations, the Group monitors the development and implementation of EU and Italian legislation, diversifies its generation mix towards the use of low-carbon technologies and resources, with a focus on renewables and nuclear power, develops strategies to acquire allowances at competitive prices and, above all, enhances the environmental performance of its generation plants, increasing their energy efficiency.

Financial risks

The Company is exposed to the following main financial risks.

Exchange rate and interest rate risk

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

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

The main source of exposure to interest rate risk for the Enel Group comes from the fluctuation in the interest rates associated with its floating-rate debt and from the need to refinance debt falling due on market terms and conditions.

Our interest rate risk management policy seeks to maintain the risk profile established within the framework of the formal risk governance procedures of the Group, curbing borrowing costs over time and limiting the volatility of results. This is also accomplished through the use of hedging derivatives that permit the transformation of cash flows indexed to floating market rates into fixed-rate flows, and vice-versa. Under these policies, derivatives transactions for the management of interest rate risk and exchange rate risk are conducted, among other things, paying due attention to the ratings of selected financial counterparties and close monitoring of the related exposures and ratings after the contracts are entered into.

Liquidity risk

Liquidity risk is the risk that the Group, even though solvent, would not be able to discharge its obligations in a timely manner or would only be able to do so on unfavorable terms owing to factors connected to the perception of its riskiness by the market or to systemic crises (credit crunches, sovereign debt crises, etc.).

Enel's risk management policies provide for maintaining a level of liquidity sufficient to meet its obligations over a specified time horizon without having recourse to additional sources of financing as well as maintaining a prudential liquidity buffer sufficient to meet unexpected obligations. In addition, in order to ensure that the Group can discharge its medium and long-term commitments, Enel pursues a borrowing strategy that provides for a diversified structure of financing sources to which it can turn and a balanced maturity profile.

Within the Group, Enel SpA (directly and through its subsidiary Enel Finance International NV) manages the centralized Treasury function (with the exception of the Endesa Group, where that function is performed by Endesa SA and its subsidiaries Endesa Internacional BV and Endesa Capital SA), ensuring access to the money and capital markets. Enel SpA meets liquidity requirements primarily through cash flows generated by normal operations and drawing on a range of sources of financing. In addition, it manages any excess liquidity as appropriate.

Underscoring the Enel Group's continued capacity to access the credit market despite the persistent strains in the financial markets, in 2012 the Group carried out bond issues with retail investors totaling €3.0 billion and bond issues within the framework of the Global Medium-Term Notes program totaling €4.0 billion.

Rating risk

Credit ratings, which are assigned by rating agencies, impact the possibility of a company to access the various sources of financing and the associated cost of that finan-

cing. Any reduction in the rating could limit access to the capital market and increase finance costs, with a negative impact on the performance and financial situation of the company.

During 2012, the main rating agencies, in response to developments in the macroeconomic, political and regulatory environment that the utilities industry had to cope with in countries such as Spain and Italy, lowered Enel's rating, despite acknowledging that the Group has implemented measures to improve its financial risk profile, such as lengthening the maturity of its debt and increasing li-

quidity, adding greater flexibility to its access to sources of financing despite the challenging situation in the financial markets.

At the end of the year, Enel had a rating of: (i) "BBB+" with a negative outlook from Standard & Poor's; (ii) "BBB+" with a negative outlook from Fitch; and (iii) "Baa2" with a negative outlook from Moody's.

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

Outlook

The global macroeconomic environment remains highly uncertain, and in the mature European markets, such as Italy and Spain, forecasts point to a further contraction in GDP in 2013, despite a number of small signs of recovery. By contrast, the outlook for Latin America, Russia and the global renewable resources business remains positive, with continued consolidation and development.

In this context, Enel, in its capacity as the holding company, will effectively steer the Group in the execution of its reorganization and efficiency enhancement programs, which will be accelerated sharply, and maintain strict discipline in its investment decisions, while maintaining its focus on growing markets.

The efforts of the Group companies will also continue to focus on technological innovation designed to make elec-

tricity generation every more efficient and environmentally sustainable and to develop innovative solutions for Enel customers, ranging from energy efficiency to smart grids.

All of these factors, together with close attention to service quality and relations with local communities supported by a transparent corporate social responsibility policy, will enable Enel, through its subsidiaries, to continue to create value for all stakeholders.

More specifically, Enel's decision to diversify its activities geographically through the Group companies towards growing economies, together with the strategy of developing renewable energy and achieving a balanced portfolio of regulated and unregulated activities, will enable us to cope effectively with the possible impact of the current economic weakness on the Group's performance.

Other information

Non-EU subsidiaries

At the date of approval by the Board of Directors of the financial statements of Enel SpA for 2012 – March 12, 2013 – the Enel Group meets the “conditions for the listing of shares of companies with control of over companies established and regulated under the law of non-EU countries” (hereinafter “non-EU subsidiaries”) established by CONSOB with Article 36 of the Market Rules (approved with Resolution no. 16191 of October 29, 2007, as amended).

Specifically, we report that:

> in application of the materiality criteria for the purposes of consolidation introduced in Article 36, paragraph 2, of the CONSOB Market Rules with effect from July 1, 2008, fifteen non-EU subsidiaries of the Enel Group have been identified to which the rules in question apply on the basis of the consolidated accounts of the Enel Group at December 31, 2011.

They are: 1) Ampla Energia e Serviços SA (a Brazilian company belonging to the Endesa Group); 2) Chilectra SA (a Chilean company belonging to the Endesa Group); 3) Compañía Distribuidora y Comercializadora de Energía - Codensa SA ESP (a Colombian company belonging to the Endesa Group); 4) Companhia Energetica do Ceará - Coelce SA (a Brazilian company belonging to the Endesa Group); 5) Edegel SA (a Peruvian company belonging to the Endesa Group); 6) Emgesa SA ESP (a Colombian company belonging to the Endesa Group); 7) Empresa de Distribución Eléctrica de Lima Norte - Edelnor SAA (a Peruvian company belonging to the Endesa Group); 8) Empresa Distribuidora Sur - Edeur SA (an Argentine company belonging to the Endesa Group); 9) Empresa Nacional de Electricidad - Endesa Chile SA (a Chilean company belonging to the Endesa Group); 10) Endesa Brasil SA (a Brazilian company belonging to the Endesa Group); 11) Endesa Capital Finance LLC (a US company belonging to the Endesa Group); 12) Enel Fortuna SA (a Panamanian company belonging to the Enel Green Power Group); 13) Enel Green Power North America Inc. (a US company belonging to the Enel Green Power Group); 14) Enersis SA (a Chilean company belonging to the Endesa Group); and 15) O GK-5 OJSC (a Russian subsidiary of Enel In-

vestment Holding BV);

- > the balance sheet and income statement for the 2012 financial statements of the above companies included in the reporting package used for the purpose of preparing the consolidated financial statements of the Enel Group will be made available to the public by Enel SpA (pursuant to Article 36, paragraph 1a) of the CONSOB Market Rules) at least 15 days prior to the day scheduled for the Ordinary Shareholders’ Meeting called to approve the 2012 financial statements together with the summary statements showing the essential data of the latest annual financial statements of subsidiaries and associated companies (pursuant to the applicable provisions of Article 77, paragraph 2-bis, of the CONSOB Issuers Rules approved with Resolution no. 11971 of May 14, 1999, as amended);
- > the articles of association and composition and powers of the control bodies from all the above subsidiaries have been obtained by Enel SpA and are available in updated form to CONSOB where the latter should request such information for supervisory purposes (pursuant to Article 36, paragraph 1b) of the CONSOB Market Rules);
- > Enel SpA has verified that the above subsidiaries:
 - provide the auditor of the Parent Company, Enel SpA, with information necessary to perform annual and interim audits of Enel SpA (pursuant to Article 36, paragraph 1ci) of the CONSOB Market Rules);
 - use an administrative and accounting system appropriate for regular reporting to the management and auditor of the Parent Company, Enel SpA, of income statement, balance sheet and financial data necessary for preparation of the consolidated financial statements (pursuant to Article 36, paragraph 1cii) of the CONSOB Market Rules).

Disclosures on financial instruments

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

Transactions with related parties

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

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

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

Finally, the Enel Group's corporate governance rules (for more details see the appropriate section in this report) establish conditions for ensuring that transactions with related parties are performed in accordance with procedural

and substantive propriety.

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at http://www.enel.com/en-GB/group/governance/rules/related_parties/) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2012, 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. Please consult note 30 to the financial statements for more information on transactions with related parties.

Own shares

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

Atypical or unusual operations

Pursuant to the CONSOB Notice of July 28, 2006, Enel did not carry out any atypical or unusual operations in 2012. Such operations include transactions whose significance, size, nature of the counterparties, object, method for calculating the transfer price or timing could give rise to

doubts concerning the propriety and/or completeness of disclosure, conflicts of interest, preservation of company assets or protection of minority shareholders.

Subsequent events

Significant events following the close of the year are discussed in note 34 to the financial statements.

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Financial
statements

Income Statement

Euro	Notes	2012		2011	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Revenues					
Revenues from sales and services	5.a	327,537,736	326,993,235	731,996,798	731,127,463
Other revenues and income	5.b	7,016,713	6,076,687	29,843,881	6,193,674
	<i>(Subtotal)</i>	334,554,449		761,840,679	
Costs					
Electricity purchases and consumables	6.a	2,063,367	907,064	360,847,972	20,792,652
Services, leases and rentals	6.b	235,681,089	86,745,906	275,611,874	99,610,251
Personnel	6.c	120,447,373	35,189	117,769,547	66,944
Depreciation, amortization and impairment losses	6.d	13,225,365		33,323,736	
Other operating expenses	6.e	60,084,209	158,011	70,176,977	24,801,576
	<i>(Subtotal)</i>	431,501,403		857,730,106	
Operating income		(96,946,954)		(95,889,427)	
Income from equity investments	7	4,174,730,145	3,940,428,403	3,222,917,669	3,222,917,669
Financial income	8	1,600,221,686	1,193,380,395	2,826,269,667	1,351,717,889
Financial expense	8	2,446,265,858	354,812,203	3,698,358,233	1,819,532,119
	<i>(Subtotal)</i>	3,328,685,973		2,350,829,103	
Income before taxes		3,231,739,019		2,254,939,676	
Income taxes	9	(188,263,487)		(211,966,421)	
NET INCOME FOR THE YEAR		3,420,002,506		2,466,906,097	

Statement of Comprehensive Income

Euro	Notes	2012	2011
Net income for the year		3,420,002,506	2,466,906,097
Other components of comprehensive income			
Effective portion of change in the fair value of cash flow hedges		(61,005,012)	(101,374,585)
Change in the fair value of financial investments available for sale		(216,438,536)	(58,364,276)
Income/(Loss) recognized directly in equity	22	(277,443,548)	(159,738,861)
COMPREHENSIVE INCOME FOR THE YEAR		3,142,558,958	2,307,167,236

Balance Sheet

Euro	Notes	at Dec. 31, 2012		at Dec. 31, 2011	
ASSETS			<i>of which with related parties</i>		<i>of which with related parties</i>
Non-current assets					
Property, plant and equipment	10	4,272,435		5,865,954	
Intangible assets	11	11,852,686		16,969,037	
Deferred tax assets	12	372,673,382		357,494,958	
Equity investments	13	39,189,051,513		38,758,948,454	
Non-current financial assets	14	1,835,089,831	810,851,508	2,080,352,471	608,604,779
Other non-current assets	15	449,097,722	207,045,578	262,077,208	219,371,747
	<i>(Total)</i>	41,862,037,569		41,481,708,082	
Current assets					
Trade receivables	16	477,804,382	470,337,840	573,515,271	565,714,810
Income tax receivables	17	259,942,106		366,253,189	
Current financial assets	18	6,443,217,290	5,609,155,885	9,667,872,881	8,647,689,143
Cash and cash equivalents	19.5	6,460,555,775		1,832,005,974	
Other current assets	20	262,666,541	161,230,927	244,164,247	180,963,227
	<i>(Total)</i>	13,904,186,094		12,683,811,562	
Non-current assets held for sale	21	1,000		1,000	
TOTAL ASSETS		55,766,224,663		54,165,520,644	

Euro

Notes

LIABILITIES AND SHAREHOLDERS' EQUITY		at Dec. 31, 2012		at Dec. 31, 2011	
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Shareholders' equity					
Share capital		9,403,357,795		9,403,357,795	
Other reserves		9,104,812,326		9,382,253,911	
Retained earnings/(loss carried forward)		3,899,806,022		3,877,772,952	
Net income for the year ⁽¹⁾		3,420,002,506		1,526,570,317	
TOTAL SHAREHOLDERS' EQUITY	22	25,827,978,649		24,189,954,975	
Non-current liabilities					
Long-term loans	19.1	19,314,750,109	2,500,000,000	18,082,820,442	2,500,000,000
Post-employment and other employee benefits	23	333,232,550		350,166,542	
Provisions for risks and charges	24	35,999,882		37,048,298	
Deferred tax liabilities	12	191,410,498		190,677,860	
Non-current financial liabilities	25	2,392,717,110	367,981,246	2,575,033,673	844,303,292
Other non-current liabilities	26	240,176,358	239,016,336	41,095,206	41,095,207
	<i>(Subtotal)</i>	22,508,286,507		21,276,842,021	
Current liabilities					
Short-term loans	19.2	4,952,643,644	4,127,132,315	2,471,801,585	1,193,284,149
Current portion of long-term loans	19.1	808,866,035		4,113,322,537	
Trade payables	27	193,376,131	67,711,425	328,606,769	119,919,316
Current financial liabilities	28	798,231,467	150,285,835	1,031,247,262	442,037,779
Other current liabilities	29	676,842,230	282,689,454	753,745,495	284,250,843
	<i>(Subtotal)</i>	7,429,959,507		8,698,723,648	
TOTAL LIABILITIES		29,938,246,014		29,975,565,669	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		55,766,224,663		54,165,520,644	

(1) In 2011, net income is reported net of interim dividend equal to €940.3 million.

Statement of Changes in Equity

Share capital and reserve (note 22)

Euro	Share capital	Share premium reserve	Legal reserve
January 1, 2011	9,403,357,795	5,292,076,658	1,880,671,559
<i>Stock option changes for the year</i>	-	-	-
Allocation of 2010 net income:			
- Dividends	-	-	-
- Retained earnings/(loss carried forward)	-	-	-
2011 interim dividend ⁽¹⁾	-	-	-
Comprehensive income for the year			
Income/(Loss) recognized directly in equity	-	-	-
Net income for the year	-	-	-
Total at December 31, 2011	9,403,357,795	5,292,076,658	1,880,671,559
January 1, 2012	9,403,357,795	5,292,076,658	1,880,671,559
Other changes	-	-	-
Exercise of stock options	-	-	-
Stock option changes for the year	-	-	-
Allocation of 2011 net income:			
- Dividends	-	-	-
- Legal reserve	-	-	-
- Retained earnings/(loss carried forward)	-	-	-
Comprehensive income for the year			
Income/(Loss) recognized directly in equity	-	-	-
Net income for the year	-	-	-
Total at December 31, 2012	9,403,357,795	5,292,076,658	1,880,671,559

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

Reserve pursuant to Law 292/1993	Other reserves	Reserve from measurement of financial instruments	Retained earnings/ (loss carried forward)	Net income for the year	Total shareholders' equity
2,215,444,500	68,085,970	85,564,141	3,394,197,084	2,176,180,271	24,515,577,978
-	149,944	-	-	-	149,944
-	-	-	-	(1,692,604,403)	(1,692,604,403)
-	-	-	483,575,868	(483,575,868)	-
-	-	-	-	(940,335,780)	(940,335,780)
-	-	(159,738,861)	-	-	(159,738,861)
-	-	-	-	2,466,906,097	2,466,906,097
2,215,444,500	68,235,914	(74,174,720)	3,877,772,952	1,526,570,317	24,189,954,975
2,215,444,500	68,235,914	(74,174,720)	3,877,772,952	1,526,570,317	24,189,954,975
-	1,963	-	-	-	1,963
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(1,504,537,247)	(1,504,537,247)
-	-	-	-	-	-
-	-	-	22,033,070	(22,033,070)	-
-	-	(277,443,548)	-	-	(277,443,548)
-	-	-	-	3,420,002,506	3,420,002,506
2,215,444,500	68,237,877	(351,618,268)	3,899,806,022	3,420,002,506	25,827,978,649

Statement of Cash Flows

Euro

Notes

		2012		2011	
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Net income for the year		3,420,002,506		2,466,906,097	
Adjustments for:					
Depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	6.d	11,262,549		13,545,836	
Exchange rate adjustments of foreign currency assets and liabilities		31,689,105		39,838,912	
Provisions		28,375,440		36,027,057	
Dividends from subsidiaries, associates and other companies	7	(3,940,428,403)	(3,940,428,403)	(3,222,917,669)	(3,222,917,669)
Net financial (income)/expense		802,927,632		(838,568,192)	
Income taxes	9	(188,263,487)		(211,966,421)	
(Gains)/Losses and other non-monetary items		(235,111,313)		22,821,516	
				24,026,112	
Cash flows from operating activities before changes in net current assets		(69,545,971)		(38,007,018)	
Increase/(Decrease) in provisions		(46,357,848)		(47,997,742)	
(Increase)/Decrease in trade receivables	16	95,710,889		95,376,970	
				(31,490,241)	
				(32,957,140)	
(Increase)/Decrease in financial and non-financial assets/ liabilities		1,217,148,589		228,398,483	
				1,313,513,223	
				(343,136,201)	
Increase/(Decrease) in trade payables	27	(135,230,638)		(52,207,891)	
				(21,391,963)	
				23,226,042	
Interest income and other financial income collected		1,160,544,209		516,557,418	
				1,105,463,147	
				644,255,106	
Interest expense and other financial expense paid		(1,996,570,415)		(702,527,732)	
				(1,986,046,315)	
				(322,446,597)	
Dividends collected from subsidiaries, associates and other companies	7	3,940,428,403		3,940,428,403	
				3,222,917,669	
				3,222,917,669	
Income taxes paid (consolidated taxation mechanism)		(958,115,118)		(1,039,608,807)	
Cash flows from operating activities (a)		3,208,012,100		2,477,351,953	
Investments in property, plant and equipment and intangible assets	10-11	(7,601,203)		(7,307,659)	
				(13,279,933)	
				(10,898,764)	
Disposals of property, plant and equipment and intangible assets	10-11	3,048,523		3,048,523	
				-	
Equity investments	13	(3,000,990,000)		(3,000,990,000)	
				(33,887,975)	
				(33,887,975)	
Disposals of equity investments	13	2,538,834,649		2,258,302,388	
				39,686,650	
Cash flows from investing/disinvesting activities (b)		(466,708,031)		(7,481,258)	
Long-term debt (new borrowing)	19.1	3,000,000,000		2,000,000,000	
Long-term debt (repayments)	19.1	(5,058,488,471)		(2,937,033,908)	
				(300,000,000)	
Net change in long-term financial payables/(receivables)		(75,713,767)		27,332,965	
				(3,388,968,774)	
				20,136,168	
Net change in short-term financial payables/(receivables)		5,525,985,217		5,999,266,247	
				4,204,084,798	
				(84,944,179)	
Dividends and interim dividends paid	22	(1,504,537,247)		(2,632,940,183)	
Increase in capital and reserves for exercise of stock options	22	-		-	
Cash flows from financing activities (c)		1,887,245,732		(2,754,858,067)	
Increase/(Decrease) in cash and cash equivalents (a+b+c)		4,628,549,801		(284,987,372)	
Cash and cash equivalents at the beginning of the year	19.5	1,832,005,974		2,116,993,346	
Cash and cash equivalents at the end of the year	19.5	6,460,555,775		1,832,005,974	

Notes to the financial statements

1

Form and content of the financial statements

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

As Parent Company, Enel SpA prepared the consolidated financial statements of the Enel Group for the year ending December 31, 2012, presented in a separate publication.

On March 12, 2013 the Board of Directors authorized the publication of these financial statements at December 31, 2012.

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

Compliance with IFRS/IAS

The separate financial statements for the year ended December 31, 2012 for the Parent Company, Enel SpA, have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as "IFRS-EU". The financial statements have also been prepared in conformity with measures issued in implementation of Article 9 of Legislative Decree 38 of February 28, 2005.

Basis of presentation

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

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

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

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

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

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

Use of estimates and management judgments

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

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

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

Use of estimates

Pensions and other post-employment benefits

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

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

Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount

rates, the rate of wage increases, inflation rates and trends in the cost of medical care.

These estimates can differ significantly from actual developments owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of medical care.

Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

Recoverability of non-current assets

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

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

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

Recovery of deferred tax assets

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

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

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

Other

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

Management judgments

Determination of the existence of control

"IAS 27 - Consolidated and separate financial statements" defines control as power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence of control does not depend solely on ownership of a majority shareholding or the contractual form used in the acquisition. Accordingly, management must use its judgment in determining whether specific situations give the Company the power to govern the financial and operating policies of the investee.

For some investees, management has analyzed any agreements with other investors in order to determine whether such agreements give the Company the power of governance indicated above, even though it holds a minority share of voting rights. In this assessment process, management also took account of potential voting rights (call options, warrants, etc.) in order to determine whether they would be currently exercisable as of the reporting date.

Following such analysis, the Company did not classify as a subsidiary any company in which it does not hold more than half of the voting rights.

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Accounting policies and measurement criteria

Translation of foreign currency items

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

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

Related parties

Related parties are essentially companies that have the same parent company with Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include the pension funds, the standing members of the Board of Auditors of Enel SpA (and their close family members), the key management personnel (and their close family members) of Enel SpA and the companies over which it exercises control.

Managers with strategic responsibilities are those persons who have the power and direct or indirect responsibility for the planning, management and control of the activities of the Company. They include Company directors.

Equity investments in subsidiaries, associated companies and joint ventures

Subsidiaries comprise those entities for which Enel SpA has the direct or indirect power to determine their financial and operating policies for the purposes of obtaining the benefits of their activities. Associated companies comprise those entities in which Enel SpA has a significant influence. In assessing the existence of a situation of control or significant influence, account is also taken of potential voting rights that are effectively exercisable or convertible. Joint ventures are enterprises over whose economic activities Enel SpA exercises joint control with other entities. Equity investments in subsidiaries, associates and joint ventures are measured at cost. Cost is adjusted for any impairment losses in accordance with IAS 36. Adjustments for impairment losses are reversed where the reasons for their recognition no longer obtain. The value resulting from the reversal may not exceed the original cost. Where the loss pertaining to the Company exceeds the carrying amount of the investment and the Company has obligations to performing the legal or constructive obligations of the investee or in any event to cover its losses, the excess with respect to the carrying amount is recognized in liabilities in the provision for risks and charges.

Property, plant and equipment

Property, plant and equipment, which mainly regards leasehold improvements, is recognized at historic cost, including directly attributable ancillary costs necessary for the asset to be ready for use. It is increased by the present value of the estimate of the costs of decommissioning and restoring the asset where there is a legal or constructive obligation to do so. The borrowing costs associated with the acquisition of property, plant and equipment are expensed except where they are directly attributable to the acquisition of an asset that justifies their capitalization (qualifying assets).

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

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

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

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

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

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

Intangible assets

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

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

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

Amortization commences when the asset is ready for use. Intangible assets mainly regard applications software owned by the Company with an estimated useful life of three to five years.

Impairment losses

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

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

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

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

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

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

Financial instruments

Financial assets measured at fair value through profit or loss

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

Such assets are initially recognized at fair value. Subsequent to initial recognition, gains and losses from changes in their fair value are recognized in the income statement.

Financial assets held to maturity

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

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

Loans and receivables

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

Such assets are initially recognized at fair value, adjusted

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

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

Financial assets available for sale

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

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

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

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

Impairment of financial assets

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

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

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

financial reorganization; or observable data indicating a measurable decrease in estimated future cash flows. Where an impairment loss is found, the latter is calculated as indicated above for each type of financial asset involved. When there is no realistic chance of recovering the financial asset, the corresponding value of the asset is written off through profit or loss.

Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, clear successfully and do not incur collection costs.

Cash and cash equivalents are recognized net of bank overdrafts at period-end in the statement of cash flows.

Trade payables

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

Financial liabilities

Financial liabilities other than derivatives are recognized when the Company becomes a party to the contractual clauses representing the instrument and are initially measured at fair value, less directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments

Derivatives are recognized at the trade date at fair value and are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge (assessed periodically) is within the limits set in the IAS 39. The manner in which the result of measurement at fair value is recognized depends on the type of hedge accounting adopted:

- > fair value hedges: when the derivatives are used to hedge the risk of changes in the fair value of hedged assets or liabilities, any changes in the fair value of the hedging instrument are taken to profit or loss. The adjustments in the fair values of the hedged assets or liabilities are also taken to profit or loss;
- > cash flow hedges: when derivatives are used to hedge the risk of changes in the expected cash flows generated by the hedged items, changes in fair value are initially recognized in equity, in the amount qualifying

as effective, and are released to profit or loss when the change in the cash flows in respect of the hedged items emerges.

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

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

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

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

Fair value hierarchy pursuant to IFRS 7

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

In particular:

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

Employee benefits

Liabilities related to employee benefits paid upon leaving or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period, which are recognized net of any

plan assets, are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance sheet date. The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries. Cumulative actuarial gains and losses at the end of the previous year exceeding 10% of the greater of the present value of the defined benefit obligation at that date and the fair value of the plan assets at the same date are recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. If lower, they are not recognized.

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

In the event of a change being made to an existing defined-benefit plan or the introduction of a new plan, any past service cost is recognized immediately in profit or loss if the benefits of the change or introduction have already vested or amortized on a straight-line basis over the average period until the benefits become vested.

In the case of changes to or the introduction of other long-term benefits, any past service cost is recognized immediately in profit or loss in its entirety.

Share-based payments

Stock option plans

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

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

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

The value of the stock options granted by Enel SpA to

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

Restricted share units incentive plans

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

The calculation method to determine the fair value considers all characteristics of the RSU (term, exercise conditions, etc.), as well as the price and volatility of Enel shares over the vesting period. The pricing model used is the Monte Carlo.

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

The cost of the RSU granted by Enel SpA to employees of its direct and indirect subsidiaries is recognized:

- > as an increase in the cost of the investment in those companies using the fair value of the equity instruments at the grant date (or in the first-level subsidiary in cases where the options have been granted to employees of indirect subsidiaries);
- > in the income statement for subsequent changes in the fair value, with recognition of a specific liability.

Provisions for risks and charges

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

Changes in estimates are recognized in the income state-

ment in the period in which the changes occur and are classified under the same item reporting the related provision.

Revenues

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

Financial income and expense

Financial income and expense is recognized on an accruals basis in line with interest accrued on the net carrying amount of the related financial assets and liabilities using the effective interest rate method. They include the changes in the fair value of financial instruments recognized at fair value through profit or loss and changes in the fair value of derivatives connected with financial transactions. Financial income comprises interest earned on the Company's liquidity, accrued interest in application of amortized cost, changes in the fair value of financial assets recognized through profit or loss, foreign exchange gains and gains on hedges recognized through profit or loss.

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

Dividends

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

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

Income taxes

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

Deferred tax liabilities and assets are calculated on the tem-

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

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

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

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

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

3

Recently issued accounting standards

First-time adoption and applicable standards

The Company has adopted the following amendment to international accounting standards that took effect as from January 1, 2012:

> "Amendments to IFRS 7 - *Financial instruments: Disclosures*"; the amendments introduced new disclosure requirements to assist users of financial statements to assess the exposure to risk in the transfer of financial assets and the impact of such risks on the Company's financial position. The new version of the standard introduces specific disclosure requirements, to be reported in a single note, concerning transferred financial assets that have not been derecognized and transferred assets in which, as of the balance sheet date, the Company has a continuing involvement. The application of the amendments on a prospective basis did not have a significant impact in the year.

Standards not yet applicable and not yet adopted

In 2012, the European Commission endorsed the following accounting standards and interpretations, which will be applicable to the Company in future years.

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

> "IAS 19 - *Employee benefits*", issued in June 2011; the standard supersedes the current IAS 19 governing the accounting treatment of employee benefits. The most significant change regards the requirement to recognize all actuarial gains/losses in OCI, with the elimination

of the corridor approach. The amended standard also introduces more stringent rules for disclosures, with the disaggregation of the cost into three components; eliminates the expected return of plan assets; no longer permits the deferral of the recognition of past service cost; provides for enhanced disclosures; and introduces more detailed rules for the recognition of termination benefits. The new standard will take effect retrospectively for annual reporting periods beginning on or after January 1, 2013. The Company feels that the impact of the future application of the measures will mainly derive from the change in the accounting treatment of past service cost and actuarial gains and losses, whose recognition can no longer be deferred, as noted above. The impact of the application of the measures by Enel SpA is not expected to be significant.

> "IFRS 13 - *Fair value measurement*", issued in May 2011; the standard represents a single IFRS framework to be used whenever another accounting standard requires or permits the use of fair value measurement. The standard sets out guidelines for measuring fair value and introduces specific disclosure requirements. The new standard will take effect prospectively for annual reporting periods beginning on or after January 1, 2013. The future application of the measures is not expected to have a significant impact.

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

The amendments will take effect retrospectively for annual reporting periods beginning on or after January 1, 2013. The future application of the measures is not expected to have a significant impact.

> "IFRS 10 - *Consolidated financial statements*", issued in May 2011; 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, without modifying the consoli-

dation procedures envisaged in the current IAS 27. This approach must be applied to all investees, including special purpose entities, which are called “structured entities” in the new standard. While current accounting standards give priority – where control does 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. Following the new approach to assessing the existence of control, companies previously considered subsidiaries could be classified as associates or joint ventures, and vice-versa.

The new standard will take effect retrospectively for annual reporting periods beginning on or after January 1, 2014. Enel is assessing the potential impact of the future application of the measures.

- > “IAS 27 - *Separate financial statements*”, issued in May 2011; together with the issue of IFRS 10 and IFRS 12, the current IAS 27 was amended, with changes to its title and its content. All provisions concerning the preparation of consolidated financial statements were eliminated, while the other provisions were not modified. Following the amendment, the standard therefore only specifies the recognition and measurement criteria and the disclosure requirements for separate financial statements concerning subsidiaries, joint ventures and associates. The new standard will take effect retrospectively for annual reporting periods beginning on or after January 1, 2014. Enel is assessing the potential impact of the future application of the measures.
- > “IFRS 11 - *Joint arrangements*”, issued in May 2011; replaces “IAS 31 - *Interests in joint ventures*” and “SIC 13 - *Jointly controlled entities - non-monetary contributions by venturers*”. Unlike IAS 31, which assesses joint arrangements on the basis of the contractual form adopted, IFRS 11 assesses them on the basis of how the related rights and obligations are attributed to the parties. In particular, the new standard identifies two types of joint arrangement: joint operations, where the parties to the arrangement have pro-rata rights to the assets and pro-rata obligations for the liabilities relating to the arrangement; and joint ventures, where the parties have rights to a share of the net assets or results of the

arrangement.

In the separate 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 (recognition of an equity investment in a joint venture is no longer permitted). Accounting for an interest in a joint venture involves the recognition of an investment accounted for, as it currently is, at cost or at fair value.

The new standard will take effect retrospectively for annual reporting periods beginning on or after January 1, 2014. Enel is assessing the potential impact of the future application of the measures.

- > “IAS 28 - *Investments in associates and joint ventures*”, issued in May 2011; together with the issue of IFRS 11 and IFRS 12, the current 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 or in the financial statements prepared by a company that does not hold investments in subsidiaries but does have investments in associates or joint ventures and meets certain requirements, in line with the provisions of current accounting standards. The new standard will take effect retrospectively for annual reporting periods beginning on or after January 1, 2014. Enel is assessing the potential impact of the future application of the measures.
- > “Amendments to IAS 32 - *Offsetting financial assets and financial liabilities*”, issued in December 2011; IAS 32 establishes that a financial asset and a financial liability should be offset and the net amount reported in the balance sheet when, and only when, an entity:
 - a) has a legally enforceable right to set off the amounts; and
 - b) intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.
 The amendments to IAS 32 clarify the conditions that must be met for these two requirements to be satisfied. As regards the first requirement, the amendments expand the illustration of cases in which an entity “currently has a legally enforceable right of set-off”, while as regards the second the amendments clarify that where the entity settles the financial asset and liability

separately, for set-off to be allowed the associated credit and liquidity risk should be insignificant and, in this regard, specify the characteristics that gross settlement systems must have.

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

In the years from 2009 to 2012, the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) also published new standards and interpretations that as of December 31, 2012, had not yet been endorsed by the European Commission. The rules that could have an impact on the financial statements of the Company are set out below:

- > "IFRS 9 - *Financial instruments*", issued in November 2009 and revised in October 2010; the standard is the first of three phases in the project to replace IAS 39. The standard establishes new criteria for the classification of financial assets and liabilities. Financial assets must be classified based on the business model of the entity and the characteristics of the associated cash flows. The new standard requires financial assets and liabilities to be measured initially at fair value plus any transaction costs directly attributable to their assumption or issue. Subsequently, they are measured at fair value or amortized cost, unless the fair value option is applied. As regards equity instruments not held for trading, an entity can make an irrevocable election to measure them at fair value through other comprehensive income. Any dividend income shall be recognized through profit or loss. The new standard, which was amended in December 2011 with regard to the effective date, will take effect, subject to endorsement, for periods beginning on or after January 1, 2015. The Company is assessing the potential impact of the future application of the measures.
- > "Amendments to IFRS 9 and IFRS 7 - *Mandatory effective date and transition disclosure*", issued in December 2011. The amendment modifies "IFRS 9 - *Financial instruments*", postponing the mandatory effective date from January 1, 2013 to January 1, 2015 and establishing new rules for the transition from IAS 39 to IFRS 9. It also modifies "IFRS 7 - *Financial instruments: Disclosures*", introducing new comparative disclosures, which will be mandatory or optional depending on the date

of transition to IFRS 9.

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

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

- > "Amendments to IFRS 10, IFRS 11 and IFRS 12 - *Transition Guidance*", issued in 2012; the amendments are intended to clarify a number of issues concerning the first-time adoption of IFRS 10, IFRS 11 and IFRS 12 (the key accounting standards for the disclosures to be made in the consolidated financial statements with regard to investments in subsidiaries, associates, joint ventures, joint operations and structured entities). 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 amendments will take effect retrospectively, subject to endorsement, for periods beginning on or after January 1, 2013. Nevertheless, the European Commission is considering the possibility of deferring initial application to January 1, 2014. Enel is assessing the potential impact of the future application of the measures.

- > "Amendments to IFRS 10, IFRS 12 and IAS 27 - *In-*

vestment entities", issued in October 2012; 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 amendments will take effect retrospectively, subject to endorsement, for periods beginning on or after January 1, 2014. The future application of the measures is not expected to have a significant impact.

- > "Annual Improvements to IFRSs 2009-2011 Cycle", issued in May 2012; the document contains formal modifications and clarifications of existing standards. The amendments will take effect retrospectively, subject to endorsement, for periods beginning on or after January 1, 2013. Enel is assessing the potential impact of the future application of the measures. More specifically, the following standards have been amended:
 - "IAS 1 - Presentation of Financial Statements"; the amendment clarifies how comparative information must be presented in the financial statements and specifies that an entity may voluntarily elect to provide additional comparative information;
 - "IAS 32 - Financial Instruments: Presentation"; the amendment establishes that income taxes relating to distributions to equity holders and to transaction costs of equity transactions shall be accounted for in accordance with IAS 12;
 - "IAS 34 - Interim Financial Reporting"; the amendment clarifies that interim financial reports indicate the total assets and liabilities for a particular reportable segment only if such amounts are regularly provided by the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements presented.

4

Risk management

Market risk

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

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

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

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

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

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

The volume of transactions in derivatives outstanding at December 31, 2012 is reported below, with specification

of the fair value and notional amount of each class of instrument as calculated at the year-end exchange rates provided by the European Central Bank where denominated in currencies other than the euro.

The fair value of a financial instrument is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, volatility), discounting expected future cash flows on the basis of the market yield curve at the balance sheet date and translating amounts in currencies other than the euro using year-end exchange rates provided by the European Central Bank.

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

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

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

Interest rate risk

Interest rate risk management is aimed at reducing the amount of debt exposed to interest rate fluctuations and containing borrowing costs, limiting the volatility of results. To this end, in 2012 Enel SpA entered into interest rate swaps, as detailed below.

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

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

The notional amount of open interest rate swaps at the end of the year was €8,727.7 million (€10,987.2 million at December 31, 2011), of which €2,864.2 million (€5,114.0 million at December 31, 2011) in respect of hedges of the Company's share of floating-rate debt, €2,931.5 million (€2,886.6 million at December 31, 2011) in respect of contracts with the same notional amount intermediated with the market for Group companies.

Millions of euro	Notional amount	
	at Dec. 31, 2012	at Dec. 31, 2011
Interest rate derivatives		
Interest rate swaps	8,727.2	10,987.2
Interest rate collars	-	2,700.0
Total	8,727.2	13,687.2

The following table reports the notional amount and fair value of interest rate derivatives at December 31, 2012 and December 31, 2011.

Millions of euro	Notional amount		Fair value		Notional assets		Fair value assets		Notional liabilities		Fair value liabilities	
	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011
Cash flow hedge derivatives	2,190.0	3,590.0	(274.2)	(283.0)	-	-	-	-	2,190.0	3,590.0	(274.2)	(283.0)
Interest rate swaps	2,190.0	2,590.0	(274.2)	(274.9)	-	-	-	-	2,190.0	2,590.0	(274.2)	(274.9)
Interest rate collars	-	1,000.0	-	(8.1)	-	-	-	-	-	1,000.0	-	(8.1)
Trading derivatives	6,537.2	10,097.2	(99.5)	(126.9)	2,937.3	2,886.6	295.3	219.0	3,599.9	7,210.6	(394.8)	(345.9)
Interest rate swaps	6,537.2	8,397.2	(99.5)	(114.1)	2,937.3	2,886.6	295.3	219.0	3,599.9	5,510.6	(394.8)	(333.1)
Interest rate collars	-	1,700.0	-	(12.8)	-	-	-	-	-	1,700.0	-	(12.8)
Total interest rate swaps	8,727.2	10,987.2	(373.7)	(389.0)	2,937.3	2,886.6	295.3	219.0	5,789.9	8,100.6	(669.0)	(608.0)
Total interest rate collars	-	2,700.0	-	(20.9)	-	-	-	-	-	2,700.0	-	(20.9)
TOTAL INTEREST RATE DERIVATIVES	8,727.2	13,687.2	(373.7)	(409.9)	2,937.3	2,886.6	295.3	219.0	5,789.9	10,800.6	(669.0)	(628.9)

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

Millions of euro	Fair value		Stratification of expected cash flows				
	at Dec. 31, 2012	2013	2014	2015	2016	2017	Beyond
CFH on interest rates							
Derivatives with positive fair value pertaining to Enel SpA	-	-	-	-	-	-	-
Derivatives with negative fair value pertaining to Enel SpA	(274.2)	(87.8)	(78.4)	(38.5)	(11.1)	(10.1)	(96.5)
Trading derivatives on interest rates							
Derivatives with positive fair value pertaining to Enel SpA	-	-	-	-	-	-	-
Derivatives with negative fair value pertaining to Enel SpA	(99.8)	(29.5)	(17.4)	(6.5)	(6.1)	(5.5)	(49.9)
Derivatives with positive fair value on behalf of Group companies	295.3	83.2	71.5	56.1	40.1	27.1	42.1
Derivatives with negative fair value on behalf of Group companies	(295.1)	(82.8)	(71.5)	(56.1)	(40.1)	(27.1)	(42.1)

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

At December 31, 2012, 29.3% of net long-term debt was floating rate (51% at December 31, 2011). Taking account of cash flow hedges considered effective pursuant to the IFRS-EU, 18.9% of the debt was exposed to interest rate risk (33% at December 31, 2011).

Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, the residual exposure of net financial debt to interest rate risk would be 15.5% (23% at December 31, 2011).

If interest rates had been 25 basis point (0.25%) higher at December 31, 2012, all other variables being equal, shareholders' equity would have been €24.0 million higher (€26.3 million at December 31, 2011) as a result of the increase in the fair value of CFH derivatives on interest rates. Conversely, if interest rates had been 25 basis point (0.25%) lower at that date, all other variables being equal, shareholders' equity would have been €24.0 million lower (€26.3 million at December 31, 2011) as a result of the decrease in the fair value of CFH derivatives on interest rates. An increase in interest rates of 25 basis points (0.25%), all other variables being equal, would have a negative impact on the income statement in terms of higher an-

nual interest expense on the unhedged portion of debt of about €7.7 million.

An equivalent decrease in interest rates, all other variables being equal, would have a positive impact on the income statement in terms of lower annual interest expense on unhedged debt of about €7.7 million.

Exchange rate risk

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

Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two amounts (deliverable forwards) or payment of the difference between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards).

In the latter case, the strike rate and/or the spot rate may be determined as averages of the official fixings of the European Central Bank.

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

The following table reports the notional amount of transactions outstanding at December 31, 2012 and December 31, 2011, broken down by type of hedged item.

Millions of euro	Notional	
	at Dec. 31, 2012	at Dec. 31, 2011
Exchange rate derivatives		
Forwards:	11,629.4	9,725.0
- forwards hedging commodities	11,123.0	9,408.0
- forwards hedging cash flows	506.4	317.0
Cross currency interest rate swaps	22,207.0	21,532.3
Total	33,836.4	31,257.3

More specifically, these include:

- > currency forward contracts with a total notional amount of €11,123.0 million (€9,408.0 million at December 31, 2011), of which €5,561.5 million to hedge the exchange rate risk associated with purchases of energy commodities by Group companies, with matching transactions with the market;
- > currency forward contracts with a notional amount of €506.4 million (€317.0 million at December 31, 2011), of which €253.2 million to hedge the exchange rate risk associated with other expected cash flows in currencies other than the euro on behalf of the Group companies, with matching market transactions;
- > cross currency interest rate swaps with a notional amount of €22,207.0 million (€21,532.3 million at December 31, 2011) to hedge the exchange rate risk on the debt of Enel SpA or other Group companies denominated in currencies other than the euro.

The following table reports the notional amount and fair value of exchange rate derivatives at December 31, 2012 and December 31, 2011.

Millions of euro	Notional amount		Fair value		Notional assets		Fair value assets		Notional liabilities		Fair value liabilities	
	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011
Cash flow hedge derivatives	2,802.4	2,739.3	(556.8)	(515.1)	1,396.9	1,364.8	476.5	447.0	1,405.5	1,374.5	(1,033.3)	(962.1)
Cross currency interest rate swaps	2,802.4	2,739.3	(556.8)	(515.1)	1,396.9	1,364.8	476.5	447.0	1,405.5	1,374.5	(1,033.3)	(962.1)
Trading derivatives	31,034.0	28,518.0	-	-	15,517.0	14,259.0	953.4	1,452.3	15,517.0	14,259.0	(953.4)	(1,452.3)
Forwards	11,629.4	9,725.0	-	-	5,814.7	4,862.5	174.6	392.5	5,814.7	4,862.5	(174.6)	(392.5)
Cross currency interest rate swaps	19,404.6	18,793.0	-	-	9,702.3	9,396.5	778.8	1,059.8	9,702.3	9,396.5	(778.8)	(1,059.8)
Total forwards	11,629.4	9,725.0	-	-	5,814.7	4,862.5	174.6	392.5	5,814.7	4,862.5	(174.6)	(392.5)
Total cross currency interest rate swaps	22,207.0	21,532.3	(556.8)	(515.1)	11,099.2	10,761.3	1,255.3	1,506.8	11,107.8	10,771.0	(1,812.1)	(2,021.9)
TOTAL EXCHANGE RATE DERIVATIVES	33,836.4	31,257.3	(556.8)	(515.1)	16,913.9	15,623.8	1,429.9	1,899.3	16,922.5	15,633.5	(1,986.7)	(2,414.4)

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

Millions of euro	Fair value	Stratification of expected cash flows						
		at Dec. 31, 2012	2013	2014	2015	2016	2017	Beyond
CFH on exchange rates								
Derivatives with positive fair value pertaining to Enel SpA	476.5		67.3	66.5	64.1	60.0	54.5	279.3
Derivatives with negative fair value pertaining to Enel SpA	(1,033.3)		(76.5)	(75.7)	(73.3)	(69.2)	(63.7)	(682.9)
Trading derivatives on exchange rates								
Derivatives with positive fair value on behalf of Group companies	973.3		234.7	133.9	31.3	30.4	85.7	150.5
Derivatives with negative fair value on behalf of Group companies	(973.3)		(234.7)	(133.9)	(31.3)	(30.4)	(85.7)	(150.5)

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

Millions	at Dec. 31, 2012			at Dec. 31, 2011		
	US dollars	Pounds sterling	Swiss francs	US dollars	Pounds sterling	Swiss francs
Trade receivables in foreign currency	-	-	-	-	-	-
Financial assets in foreign currency	-	-	-	-	-	-
Trade payables in foreign currency	0.3	0.1	1.3	0.1	0.1	78.0
Loans and other financial liabilities in foreign currency	-	1,126.2 ⁽¹⁾	-	-	1,125.7 ⁽¹⁾	-
Total	0.3	1,126.3	1.3	0.1	1,125.8	78.0

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

As regards exchange rate risk, net long-term debt denominated in foreign currency, equal to 7% of the total (6% at December 31, 2011), is fully hedged by cross currency interest rate swaps.

At December 31, 2012, assuming a 10% appreciation of the euro against the currencies in which the debt is denominated, all other variables being equal, shareholders' equity would have been €189.0 million lower (€182.7 million at De-

December 31, 2011) as a result of the decrease in the fair value of CFH derivatives on exchange rates. Conversely, assuming a 10% depreciation of the euro against the currencies in which the debt is denominated, all other variables being equal, shareholders' equity would have been about €231.0 million higher (€223.4 million at December 31, 2011) as a result of the increase in the fair value of CFH derivatives on exchange rates.

Credit risk

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

The credit risk in respect of the derivatives portfolio is considered negligible since transactions are conducted

solely with leading Italian and international financial institutions, diversifying the exposure among different institutions and constantly monitoring their credit ratings. In addition, during the year Enel entered into margin agreements with the leading financial institutions with which it operates that call for the exchange of cash collateral, which significantly mitigates the exposure to counterparty risk.

At December 31, 2012, the exposure to credit risk, represented by the carrying amount of financial assets gross of related provisions for impairment as well as derivatives with a positive fair value, net of any cash collateral held, amounted to €15,223.9 million (€14,154.4 million at December 31, 2011). Of the total, €6,888.7 million regard receivables in respect of Group companies and €6,460.6 million regard cash and cash equivalents.

Millions of euro

	at Dec. 31, 2012		at Dec. 31, 2011		Change
		<i>of which Group</i>		<i>of which Group</i>	
Non-current financial receivables	301.3	138.2	321.6	165.5	(20.3)
Non-current financial derivatives	1,517.1	672.7	1,734.3	443.1	(217.2)
Other non-current financial assets	4.8	-	3.3	-	1.5
Trade receivables	485.3	468.7	581.0	491.8	(95.7)
Current financial receivables	5,235.8	5,235.8	8,301.3	8,301.3	(3,065.5)
Current financial derivatives	208.1	109.0	384.0	73.5	(175.9)
Other current financial assets	1,010.9	264.3	996.9	272.8	14.0
Cash and cash equivalents	6,460.6	-	1,832.0	-	4,628.6
Total	15,223.9	6,888.7	14,154.4	9,748.0	1,069.5

Liquidity risk

Within the Group, Enel SpA (directly and through its subsidiary Enel Finance International NV) manages the centralized Treasury function (with the exception of the Endesa Group, where that function is performed by Endesa SA and its subsidiaries Endesa Internacional BV and Endesa Capital SA), ensuring access to the money and capital markets. The Parent Company meets liquidity requirements primarily through cash flows generated by ordinary operations and drawing on a range of sources of financing. In addition, it manages any excess liquidity as appropriate.

At December 31, 2012, Enel SpA had a total of about €6,460.6 million in cash or cash equivalents (€1,832.0 million at December 31, 2011) and committed lines of credit amounting to €6,500.0 million still available.

The limits on the committed credit lines amounted to €6,600.0 million, of which €100.0 million has been drawn (€7,300.0 million, of which €2,000.0 drawn at December 31, 2011).

4.a Derivative contracts classified under non-current financial assets – €1,517.1 million

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

Millions of euro	Notional amount		Fair value ⁽¹⁾		Change
	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	
Cash flow hedge derivatives:					
- exchange rates	1,396.9	1,364.8	476.5	446.9	29.6
Total	1,396.9	1,364.8	476.5	446.9	29.6
Trading derivatives:					
- interest rates	2,925.5	2,186.6	295.0	215.5	79.5
- exchange rates	9,348.7	9,573.0	745.6	1,071.9	(326.3)
Total	12,274.2	11,759.6	1,040.6	1,287.4	(246.8)
TOTAL	13,671.1	13,124.4	1,517.1	1,734.3	(217.2)

(1) "Level 2" fair value.

The notional amount of cash flow hedge derivatives at December 31, 2012 was €1,396.9 million, while the corresponding fair value was a positive €476.5 million.

The exchange rate cash flow hedge derivatives are essentially related to transactions hedging the £1.1 billion tranche of the bond issue as part of the Global Medium-Term Notes program, which was carried out on June 13, 2007. The increase in the fair value compared with the previous year is mainly attributable to developments in the exchange rate of the euro against the pound sterling.

The notional amount of trading derivatives on interest rates and on exchange rates at December 31, 2012, was €12,274.2 million, while the corresponding fair value was a positive €1,040.6 million.

The increase of €79.5 million in the fair value of trading de-

derivatives on interest rates compared with 2011 was attributable to both new natural hedge transactions entered into during the year to cover private placements by Enel Finance International and loans obtained by a number of Group companies and to the measurement of outstanding positions at December 31, 2011, which were positively impacted by developments in the yield curve.

The decline of €326.3 million in the fair value of trading derivatives on exchange rates compared with 2011 was essentially due to natural hedging of bonds in currencies other than the euro with cross currency interest rate swaps.

These positions were adversely affected by exchange rate developments when measured at December 31, 2012.

4.b Derivative contracts classified under current financial assets – €208.1 million

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

Millions of euro	Notional amount		Fair value ⁽¹⁾		Change
	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	
Trading derivatives:					
- interest rates	11.8	700.0	0.3	3.5	(3.2)
- exchange rates	6,167.6	4,686.0	207.8	380.5	(172.7)
- other	0.7	-	-	-	-
Total	6,180.1	5,386.0	208.1	384.0	(175.9)

(1) "Level 2" fair value.

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

crease of €175.9 million in the fair value of the derivatives is essentially associated with normal operations.

4.c Derivative contracts classified under non-current liabilities – €2,392.7 million

These non-current financial liabilities consist of the fair value measurement of derivatives. The following table shows the related notional amount and fair value.

Millions of euro	Notional amount		Fair value ⁽¹⁾		Change
	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	
Cash flow hedge derivatives:					
- interest rates	2,190.0	2,190.0	274.2	273.0	1.2
- exchange rates	1,405.5	1,374.5	1,033.3	962.0	71.3
Total	3,595.5	3,564.5	1,307.5	1,235.0	72.5
Trading derivatives:					
- interest rates	3,499.9	2,760.6	339.6	268.1	71.5
- exchange rates	9,348.7	9,573.0	745.6	1,071.9	(326.3)
Total	12,848.6	12,333.6	1,085.2	1,340.0	(254.8)
TOTAL	16,444.1	15,898.1	2,392.7	2,575.0	(182.3)

(1) "Level 2" fair value.

The notional amount of non-current derivatives at December 31, 2012 was €16,444.1 million, while the corresponding fair value was €2,392.7 million, for an increase of €546.0 million and a decrease of €182.3 million, respectively, compared with December 31, 2011.

The rise in the notional amount is essentially accounted for by trading derivatives on interest rates, mainly new transactions entered into on behalf of Group companies.

4.d Derivative contracts classified under current financial liabilities – €263.0 million

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

Millions of euro	Notional amount		Fair value ⁽¹⁾		Change
	at Dec. 31, 2012	at Dec. 31, 2011	at Dec. 31, 2012	at Dec. 31, 2011	
Cash flow hedge derivatives:					
- interest rates	-	1,400.0	-	9.9	(9.9)
Total	-	1,400.0	-	9.9	(9.9)
Trading derivatives:					
- interest rates	100.0	4,450.0	55.2	77.9	(22.7)
- exchange rates	6,167.6	4,686.0	207.8	380.5	(172.7)
- other	0.7	-	-	-	-
Total	6,268.3	9,136.0	263.0	458.4	(195.4)
TOTAL	6,268.3	10,536.0	263.0	468.3	(205.3)

(1) "Level 2" fair value.

Current derivatives under liabilities have a notional amount of €6,268.3 million and a corresponding fair value of €263.0 million. The decrease in the notional amount, equal to €4,267.7 million, is essentially attributable to the

expiry, in April 2012, of the derivatives used to hedge the original €35 billion syndicated credit line contracted by Enel SpA and Enel Finance International in 2007 (total notional amount of €5,350.0 million).

Information on the Income Statement

Revenues

5.a Revenues from sales and services – €327.6 million

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

Millions of euro			
	2012	2011	Change
Electricity sales	-	374.4	(374.4)
Single Buyer	-	373.2	(373.2)
Other	-	1.2	(1.2)
Services	327.6	357.6	(30.0)
Group companies	325.5	355.9	(30.4)
Non-Group counterparties	2.1	1.7	0.4
Total revenues from sales and services	327.6	732.0	(404.4)

Revenues from “electricity sales” declined by €374.4 million compared with 2011 as a result of the expiry, on December 31, 2011, of the electricity import contract with Alpiq.

Revenues from “services”, equal to €327.6 million, essentially regard services provided by the Company to subsidiaries as part of its management and coordination function and the rebilling of sundry expenses incurred by it but pertaining to the subsidiaries.

The decrease of €30.0 million compared with the previous year is mainly attributable to the decline of €26.6 million in revenues from management fees and service activities.

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

- > €262.9 million in Italy;
- > €4.9 million in the European Union market;
- > €59.8 million in non-EU countries.

5.b Other revenues and income – €7.0 million

“Other revenues and income” in 2012 came to €7.0 million, a decrease of €22.8 million compared with the previous year (€29.8 million in 2011), essentially reflecting the

recognition in 2011 of the income from the disposal of the investment in Deval SpA (€21.1 million).

Costs

6.a Electricity purchases and consumables – €2.1 million

“Electricity purchases and consumables” totaled €2.1 million, a decrease of €358.7 million compared with the previous year, mainly as result of the expiry of the Alpiq contract as mentioned earlier.

6.b Services, leases and rentals – €235.7 million

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

Millions of euro			
	2012	2011	Change
Services	217.0	259.3	(42.3)
Leases and rentals	18.7	16.3	2.4
Total services, leases and rentals	235.7	275.6	(39.9)

Costs for “services”, totaling €217.0 million, concerned costs for services provided by third parties in the amount of €146.6 million (€186.1 million in 2011) and services provided by Group companies totaling €70.4 million (€73.2 million in 2011). More specifically, the decrease of €39.5 million in costs for services provided by third parties is largely attributable to the decline in communication costs (€21.0 million), in exchange fees paid to the Energy Services Operator (ESO) and the Energy Markets Operator (EMO), which declined by €12.0 million, the latter following the termination, on December 31, 2011, of the purchase and sale of electricity, and in costs connected with the acquisition and disposal of companies (€10.4

million). These factors were partially offset by an increase in costs for bank fees and commissions (€3.6 million), essentially associated with the disposal on February 2, 2012 of the interest held in Terna SpA.

Costs for services rendered by Group companies decreased by €2.8 million, mainly due to lower costs incurred in respect of services provided by Enel Ingegneria e Ricerca SpA (€2.8 million).

Cost for “leases and rentals” came to €18.7 million, an increase of €2.4 million over the previous year, essentially due to higher costs in leasing property from Enel Servizi Srl.

6.c Personnel – €120.4 million

Personal costs break down as follows.

Millions of euro			
	2012	2011	Change
Wages and salaries	75.0	75.4	(0.4)
Social security contributions	24.2	23.8	0.4
Termination benefits	5.0	4.8	0.2
Charges for stock options and restricted share units plans	0.1	0.2	(0.1)
Other costs and other incentive plans	16.1	13.6	2.5
Total personnel costs	120.4	117.8	2.6

“Personnel costs” totaled €120.4 million and regarded an average workforce of 852 (compared to an average workforce of 850 in 2011). The total was up €2.6 million, mainly due to higher costs in respect of employee early retirement incentives.

The table below shows the average number of employees by category, compared with the previous year, and the actual number of employees at December 31, 2012.

	Average number			Headcount at Dec. 31, 2012
	2012	2011	Change	
Senior managers	104	109	(5)	97
Middle managers	378	361	17	386
Office staff	370	380	(10)	360
Total	852	850	2	843

6.d Depreciation, amortization and impairment losses – €13.2 million

Millions of euro

	2012	2011	Change
Depreciation	2.0	1.8	0.2
Amortization	9.2	8.8	0.4
Impairment losses	2.0	22.7	(20.7)
Total depreciation, amortization and impairment losses	13.2	33.3	(20.1)

Depreciation and amortization came to €11.2 million (€10.6 million in 2011), an increase of €0.6 million compared with the previous year. The rise is mainly associated with capital expenditure and the entry of industrial patents and intellectual property rights into service in the final quarter of 2011.

Impairment losses, totaling €2.0 million, show a decline of €20.7 million on the level posted in 2011, when the item reflected the adjustment of the value of the investments in Enel.NewHydro (€11.3 million), Enelpower (€7.6 million) and Vallenergie (€0.9 million).

6.e Other operating expenses – €60.1 million

“Other operating expenses” totaled €60.1 million, a decrease of €10.1 million compared with the previous year, mainly due to a reduction in provisions for risks and charges (€5.9 million) and a decline in dues, essentially those

paid to trade associations (€2.7 million).

The **operating loss** amounted to €96.9 million, essentially in line with the previous year (a loss of €95.9 million).

7. Income from equity investments – €4,174.7 million

Income from equity investments amounted to €4,174.7 million and regard dividends approved by the shareholders’ meetings of the subsidiaries (€3,940.3 million) and other investees (€0.1 million), as well as the gain (€234.3 million), gross of transactions costs, from the disposal on February 2, 2012 of the equity stake held in Terna, equal to 5.1% of that company’s share capital.

Millions of euro

	2012	2011	Change
Dividends from subsidiaries:	3,940.3	3,201.3	739.0
Enel Produzione SpA	788.6	959.0	(170.4)
Enel Distribuzione SpA	3,007.7	1,766.2	1,241.5
Enel Trade SpA	25.5	30.2	(4.7)
Enel.Factor SpA	4.0	4.0	-
Enel Finance International NV	-	77.8	(77.8)
Enel Servizi Srl	29.8	5.1	24.7
Enel Energy Europe SL	-	264.9	(264.9)
Enel Green Power SpA	84.7	94.1	(9.4)
Dividends from other entities:	0.1	21.6	(21.5)
Terna SpA ⁽¹⁾	-	21.5	(21.5)
Emittenti Titoli SpA	0.1	0.1	-
Capital gains from the disposal of equity investments in other entities:	234.3	-	234.3
Terna SpA	234.3	-	234.3
Total income from equity investments	4,174.7	3,222.9	951.8

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

The increase in dividends paid by the subsidiary Enel Distribuzione is associated with the distribution by that company of a special dividend in the amount of €3,400.0 million, of which €2,258.0 in respect of the restitution of

capital (in the form of the distribution of a specific "Reserve from the reduction of share capital") and €1,142.0 as a distribution of income reserves from previous years.

8. Financial income/(expense) – €(846.1) million

This item breaks down as follows.

Millions of euro

	2012	2011	Change
Financial income			
Interest and other income from non-current financial assets	24.0	24.4	(0.4)
Interest and other income from current financial assets	260.5	275.2	(14.7)
Foreign exchange gains:	0.5	8.1	(7.6)
- on cash and cash equivalents	0.1	0.5	(0.4)
- on loans	0.4	0.6	(0.2)
- on other	-	7.0	(7.0)
Income from derivative instruments:	1,306.3	2,507.3	(1,201.0)
- entered into on behalf of Group companies:			
<i>from derivatives designated as FVTPL</i>	1,130.2	2,251.0	(1,120.8)
- entered into on behalf of Enel SpA:			
<i>from derivatives designated as FVTPL</i>	52.1	126.8	(74.7)
<i>from derivatives designated as CFH</i>	124.0	129.5	(5.5)
Other interest and financial income	8.9	11.3	(2.4)
Total income	1,600.2	2,826.3	(1,226.1)
Financial expense			
Interest and other charges on non-current financial debt:	998.2	963.6	34.6
- interest on non-current financial debt	245.0	301.9	(56.9)
- interest on bonds	753.2	661.7	91.5
Interest and other charges on current financial debt:	20.4	43.4	(23.0)
- interest on debts to banks and other Group companies	20.4	43.4	(23.0)
Accretion of post-employment and other employee benefits	14.2	14.5	(0.3)
Foreign exchange losses:	32.9	50.9	(18.0)
- on cash and cash equivalents	0.1	0.4	(0.3)
- on loans	32.1	40.4	(8.3)
- on other	0.7	10.1	(9.4)
Expense on derivative instruments:	1,381.5	2,611.1	(1,229.6)
- entered into on behalf of Group companies:			
<i>from derivatives designated as FVTPL</i>	1,129.5	2,250.6	(1,121.1)
- entered into on behalf of Enel SpA:			
<i>from derivatives designated as FVTPL</i>	80.0	165.1	(85.1)
<i>from derivatives designated as CFH</i>	172.0	195.4	(23.4)
Other interest and charges	(0.9)	14.9	(15.8)
Total charges	2,446.3	3,698.4	(1,252.1)
TOTAL NET FINANCIAL INCOME/(EXPENSE)	(846.1)	(872.1)	26.0

Net financial expense, totaling €846.1 million, essentially regards interest expense on financial debt (€1,018.6 million), net charges on interest rate derivatives (€110.1 million), offset by interest and other income on intercompany and bank current accounts (€240.7 million and €18.1 million respectively), on cash collateral (€1.4 million) and on loans assumed by Group companies (€10.8 million). The €26.0 million decrease in net financial expense compared with 2011 mainly reflects a decline in net charges on interest rate derivatives (€78.7 million), partially offset by lower interest and other income on current financial

assets (€14.7 million) largely as a result of the decline in interest accrued on the intercompany current account. Note that in 2011 net income of €42.1 million was recognized in respect of the exercise of the bonus share granted in 2010 as part of the global offering of Enel Green Power SpA shares.

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

9. Income taxes – €188.3 million

Millions of euro

	2012	2011	Change
Current taxes	(188.5)	(213.8)	25.3
Deferred tax assets	0.2	1.9	(1.7)
Deferred tax liabilities	-	(0.1)	0.1
Total taxes	(188.3)	(212.0)	23.7

Income taxes for 2012 showed a tax credit of €188.3 million, mainly due to the reduction in taxable income for IRES purposes as a result of the exclusion of 95% of dividends received from subsidiaries. Income taxes also take account of the deductibility of Enel SpA interest expense for the Group's consolidated taxation mechanism in accordance with corporate income tax law (Article 96 of the Uniform Tax Code, as replaced by Law 244 of December 24, 2007, the 2008 Finance Act).

The effective tax rate on pre-tax income was a negative 5.8% in 2012, compared with a negative 9.4% in 2011. This essentially reflected both the difference between the two years in the amount of dividends received from subsidiaries and the proceeds (which were partially tax exempt) from the sale of the interest in Terna SpA.

Millions of euro

	2012	% impact	2011	% impact
Income before taxes	3,231.7		2,254.9	
Theoretical IRES tax liability (27.5%)	888.7	27.5%	620.1	27.5%
Tax decreases:				
- gains on exempt equity investments	(59.3)	-1.8%	(5.5)	-0.2%
- dividends on equity investments	(1,029.4)	-31.9%	(842.0)	-37.3%
- prior-year writedowns	(1.1)	-	-	-
- uses of provisions	(12.6)	-0.4%	(11.7)	-0.5%
- other	-	-	(24.5)	-1.1%
Tax increases:				
- writedowns for the year	0.9	-	6.3	0.3%
- losses on equity investments	-	-	6.6	0.3%
- accretions to provisions	11.2	0.3%	12.1	0.5%
- prior-year expense	3.7	0.1%	3.9	0.2%
- other	14.2	0.4%	23.2	1.0%
Total current income taxes (IRES)	(183.7)	-5.7%	(211.5)	-9.4%
IRAP	-	-	-	-
Foreign taxes	-	-	0.2	-
Difference on tax estimate for previous years	(4.8)	-0.1%	(2.5)	-0.1%
Total deferred tax items	0.2	-	1.8	0.1%
TOTAL INCOME TAXES	(188.3)	-5.8%	(212.0)	-9.4%

Information on the Balance Sheet

10. Property, plant and equipment – €4.3 million

Changes in property, plant and equipment for 2011 and 2012 are set out in the table below.

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Total
Cost	0.4	2.7	3.0	5.3	18.1	22.6	52.1
Accumulated depreciation	-	(1.4)	(3.0)	(5.3)	(17.2)	(20.5)	(47.4)
Balance at Dec. 31, 2010	0.4	1.3	-	-	0.9	2.1	4.7
Capital expenditure	-	-	-	-	-	3.0	3.0
Depreciation	-	(0.1)	-	-	(0.3)	(1.4)	(1.8)
Other changes	3.0	-	-	-	-	-	3.0
Impairment losses	(3.0)	-	-	-	-	-	(3.0)
Total changes	-	(0.1)	-	-	(0.3)	1.6	1.2
Cost	0.4	2.7	3.0	5.3	18.1	25.6	55.1
Accumulated depreciation	-	(1.5)	(3.0)	(5.3)	(17.5)	(21.9)	(49.2)
Balance at Dec. 31, 2011	0.4	1.2	-	-	0.6	3.7	5.9
Capital expenditure	-	-	-	-	0.5	0.6	1.1
Depreciation	-	-	-	-	(0.3)	(1.7)	(2.0)
Disposals	-	-	-	-	(0.1)	(0.6)	(0.7)
Total changes	-	-	-	-	0.1	(1.7)	(1.6)
Cost	0.4	2.7	3.0	5.3	18.5	25.6	55.5
Accumulated depreciation	-	(1.5)	(3.0)	(5.3)	(17.8)	(23.6)	(51.2)
Balance at Dec. 31, 2012	0.4	1.2	-	-	0.7	2.0	4.3

“Property, plant and equipment” totaled €4.3 million, a decrease of €1.6 million on 2011, mainly attributable to depreciation for the period (€2.0 million) and the transfer to Enel Servizi of assets and leasehold improvements on buildings owned by that subsidiary as part of the transfer of the “Security” business unit (€0.7 million). This was partly offset

by capital expenditure during the year (€1.1 million).

“Leasehold improvements” mainly regard the renovation work on a number of buildings housing Enel SpA’s headquarters. They are depreciated over the remaining term of the leases on the building.

11. Intangible assets – €11.9 million

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

Millions of euro	Industrial patents and intellectual property rights	Other intangible assets under development	Total
Balance at Dec. 31, 2010	15.5	-	15.5
Capital expenditure	8.5	1.8	10.3
Amortization	(8.8)	-	(8.8)
Total changes	(0.3)	1.8	1.5
Balance at Dec. 31, 2011	15.2	1.8	17.0
Capital expenditure	5.2	1.2	6.4
Assets entering service	1.8	(1.8)	-
Disposals	(2.1)	(0.2)	(2.3)
Amortization	(9.2)	-	(9.2)
Total changes	(4.3)	(0.8)	(5.1)
Balance at Dec. 31, 2012	10.9	1.0	11.9

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

The decrease of €5.1 million is mainly attributable to amortization for the year (€9.2 million) and the transfer to Enel Servizi of certain software as part of the transfer of the

“Security” business unit (€2.3 million), partially offset by investments (€6.4 million).

“Other intangible assets under development”, amounting to €1.0 million (€1.8 million in 2011), essentially regard the CCRM system for the implementation of risk measurement models (€0.4 million), the PRIMO Overhead system (€0.2 million) and the financial planning system (€0.2 million).

12. Deferred tax assets and liabilities – €372.6 million and €191.4 million

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

Millions of euro	at Dec. 31, 2011	Increase/ (Decrease) taken to income statement	Increase/ (Decrease) taken to equity	Other changes	at Dec. 31, 2012
Deferred tax assets					
<i>Nature of the temporary difference:</i>					
- accruals to provisions for risks and charges and impairment losses	35.5	(1.5)	-	-	34.0
- financial derivatives	253.9	-	(25.9)	-	279.8
- costs for capital increase	21.3	-	(10.6)	-	10.7
- other items	46.8	1.3	-	-	48.1
Total deferred tax assets	357.5	(0.2)	15.3	-	372.6
Deferred tax liabilities					
<i>Nature of the temporary difference:</i>					
- differences on non-current and financial assets	3.8	-	(3.0)	(0.7)	0.1
- income subject to deferred taxation	0.2	-	-	-	0.2
- measurement of financial instruments	186.4	-	3.7	0.7	190.8
- other items	0.3	-	-	-	0.3
Total deferred tax liabilities	190.7	-	0.7	-	191.4
Deferred tax assets for IRES after any offsetting	198.3				213.3
Deferred tax liabilities for IRAP after any offsetting	(31.5)				(32.1)

“Deferred tax assets” amounted to €372.6 million (€357.5 million at December 31, 2011), an increase of €15.1 million on the previous year, mainly attributable to deferred tax assets in respect of the fair value measurement of cash flow hedges (€25.9 million), partially offset by the release of deferred tax assets in respect of the transaction costs of the capital increase (€10.6 million).

“Deferred tax liabilities” totaled €191.4 million (€190.7 million at December 31, 2011), an increase of €0.7 million, essentially attributable to deferred taxes in respect of the fair value measurement of cash flow hedges (€3.7 million),

partially offset by the release of the tax effect of the reserve from the measurement of AFS financial instruments following the disposal of the holding in Terna (€3.0 million). The amount of deferred tax liabilities was determined by applying the rates of 27.5% for IRES and 5.57% for IRAP (taking account of regional surtaxes). The amount of deferred tax assets was determined by applying the IRES rate of 27.5% only, as in the coming years we do not expect to earn income subject to IRAP sufficient to reverse the temporary deductible differences.

13. Equity investments – €39,189.1 million

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

Millions of euro	Original cost	(Writedowns)/ Revaluations	Other changes - IFRIC 11 and IFRS 2	Carrying amount	% holding
at Dec. 31, 2011					
A) Subsidiaries					
Enel Produzione SpA	4,891.8	-	3.7	4,895.5	100.0
Enel Ingegneria e Ricerca SpA	46.5	-	0.9	47.4	100.0
Enel Distribuzione SpA	6,311.7	-	1.8	6,313.5	100.0
Enel Servizio Elettrico SpA	10.0	-	0.5	10.5	100.0
Enel Trade SpA	901.0	-	0.8	901.8	100.0
Enel Green Power SpA	3,687.1	-	2.0	3,689.1	69.2
Enel Investment Holding BV	8,498.1	(4,473.0)	0.1	4,025.2	100.0
Enelpower SpA	189.5	(159.3)	-	30.2	100.0
Enel Energia SpA	1,321.0	(8.3)	0.7	1,313.4	100.0
Enel Energy Europe SL	15,300.1	-	-	15,300.1	100.0
Enel.Factor SpA	17.9	(0.4)	-	17.5	100.0
Enel Sole Srl	5.3	-	-	5.3	100.0
Enel Servizi Srl	524.5	(40.2)	2.7	487.0	100.0
Enel.NewHydro Srl	70.5	(54.2)	-	16.3	100.0
Enel Finance International NV	1,414.3	-	-	1,414.3	100.0
Total subsidiaries	43,189.3	(4,735.4)	13.2	38,467.1	
C) Associated companies					
CESI SpA	21.9	-	-	21.9	41.9
Total associated companies	21.9	-	-	21.9	
D) Other companies					
Elcogas SA	4.8	(1.1)	-	3.7	4.3
Emittenti Titoli SpA	0.5	-	-	0.5	10.0
Terna Rete Elettrica Nazionale SpA	46.2	219.5	-	265.7	5.1
Total other companies	51.5	218.4	-	269.9	
TOTAL EQUITY INVESTMENTS	43,262.7	(4,517.0)	13.2	38,758.9	

Acquisitions/ (Disposals)/ (Liquidations)/ (Redemptions)	Capital contributions and loss coverage	Net change	Original cost	(Writedowns)/ Revaluations	Other changes - IFRIC 11 and IFRS 2	Carrying amount	% holding
Changes in 2012			at Dec. 31, 2012				
-	-	-	4,891.8	-	3.7	4,895.5	100.0
-	-	-	46.5	-	0.9	47.4	100.0
(2,258.0)	-	(2,258.0)	4,053.7	-	1.8	4,055.5	100.0
-	-	-	10.0	-	0.5	10.5	100.0
-	-	-	901.0	-	0.8	901.8	100.0
(47.0)	-	(47.0)	3,640.1	-	2.0	3,642.1	68.3
-	-	-	8,498.1	(4,473.0)	0.1	4,025.2	100.0
-	-	-	189.5	(159.3)	-	30.2	100.0
-	-	-	1,321.0	(8.3)	0.7	1,313.4	100.0
-	3,000.0	3,000.0	18,300.1	-	-	18,300.1	100.0
-	-	-	17.9	(0.4)	-	17.5	100.0
-	-	-	5.3	-	-	5.3	100.0
-	-	-	524.5	(40.2)	2.7	487.0	100.0
-	-	-	70.5	(54.2)	-	16.3	100.0
-	-	-	1,414.3	-	-	1,414.3	100.0
(2,305.0)	3,000.0	695.0	43,884.3	(4,735.4)	13.2	39,162.1	
0.9	-	0.9	22.8	-	-	22.8	42.7
0.9	-	0.9	22.8	-	-	22.8	
-	-	-	4.8	(1.1)	-	3.7	4.3
-	-	-	0.5	-	-	0.5	10.0
(265.7)	-	(265.7)	-	-	-	-	-
(265.7)	-	(265.7)	5.3	(1.1)	-	4.2	
(2,569.8)	3,000.0	430.2	43,912.4	(4,736.5)	13.2	39,189.1	

The table below reports changes in equity investments in 2012:

Millions of euro

Increases	
Recapitalization of Enel Energy Europe SL	3,000.0
Acquisition of CESI SpA shares	1.1
Total increases	3,001.1
Decreases	
Reimbursement of "Reserve from reduction of share capital" as special dividend by Enel Distribuzione	(2,258.0)
Disposal of investment in Terna SpA	(265.7)
Reduction of carrying amount of investment held in Enel Green Power SpA following assignment of bonus shares	(47.0)
Disposal of CESI SpA shares	(0.2)
Total decreases	(2,570.9)
NET CHANGE	430.2

The net increase of €430.2 million in the value of equity investments in subsidiaries, associates and other companies is mainly due to the following:

- > the recapitalization, on October 22, 2012, of Enel Energy Europe SL in the amount of €3,000.0 million, which was used to increase equity reserves;
- > the reimbursement, by Enel Distribuzione SpA, of the "Reserve from the reduction of share capital", in the amount of €2,258.0 million, as a special dividend, as approved by the company's shareholders' meeting on April 11, 2012;
- > the disposal, on February 2, 2012, of the entire shareholding in Terna SpA, equal to 5.1% of share capital (102,384,037 ordinary shares), with a carrying amount of €265.7 million;
- > the reduction in the carrying amount of the investment in Enel Green Power SpA in the amount of €47.0 million following the actual delivery of the bonus shares granted in 2010 as part of the global offering of Enel Green Power SpA shares;
- > the acquisition on March 2, March 5, March 12, April 5 and May 24, 2012, of five shareholdings equal, respectively to 0.093%, 0.195%, 0.271%, 0.468% and 0.018% of the share capital of CESI SpA for a total of €1.1 million;
- > the disposal, on May 31, 2012, of a stake of 0.291% of the holding in CESI SpA, with a carrying amount of €0.2 million. Following the buy and sell transactions in 2012, Enel's holding in CESI SpA rose from 41.9% at December 31, 2011 to 42.7% at December 31, 2012.

The share certificates for Enel SpA's investments in Italian subsidiaries are held in custody by Monte dei Paschi di Siena. The following table lists equity investments in subsidiaries, associates and other companies at December 31, 2012.

	Registered office	Currency	Share capital	Shareholders' equity (€ millions)	Prior year income/(loss) (€ millions)	% holding	Carrying amount (€ millions)
A) Subsidiaries							
Enel Produzione SpA	Rome	Euro	1,800,000,000	6,173.9	222.4	100.0	4,895.5
Enel Ingegneria e Ricerca SpA	Rome	Euro	30,000,000	52.5	0.06	100.0	47.4
Enel Distribuzione SpA	Rome	Euro	2,600,000,000	5,179.0	1,625.3	100.0	4,055.5
Enel Servizio Elettrico SpA	Rome	Euro	10,000,000	41.7	(54.5)	100.0	10.5
Enel Trade SpA	Rome	Euro	90,885,000	849.9	(36.2)	100.0	901.8
Enel Green Power SpA	Rome	Euro	1,000,000,000	6,507.9	235.5	68.3	3,642.1
Enel Investment Holding BV	Amsterdam	Euro	1,593,050,000	4,161.6	(40.1)	100.0	4,025.2
Enelpower SpA	Milan	Euro	2,000,000	33.6	3.4	100.0	30.2
Enel Energia SpA	Rome	Euro	302,039	1,128.1	44.0	100.0	1,313.4
Enel Energy Europe SL	Madrid	Euro	500,000,000	22,077.9	(453.5)	100.0	18,300.1
Enel.Factor SpA	Rome	Euro	12,500,000	46.7	5.0	100.0	17.5
Enel Sole Srl	Rome	Euro	4,600,000	45.6	9.4	100.0	5.3
Enel Servizi Srl	Rome	Euro	50,000,000	533.6	39.5	100.0	487.0
Enel.NewHydro Srl	Rome	Euro	1,000,000	17.5	1.2	100.0	16.3
Enel Finance International NV	Amsterdam	Euro	1,478,810,370	1,047.6	72.8	100.0	1,414.3
C) Associated companies							
CESI SpA	Milan	Euro	8,550,000	88.5	15.1	42.7	22.8
D) Other companies							
Elcogas SA	Puertollano	Euro	20,242,260	13.2	9.4	4.3	3.7
Emittenti Titoli SpA	Milan	Euro	4,264,000	6.9	1.1	10.0	0.5

The carrying amounts of the equity investments in Enel Trade SpA, Enel Energia SpA and Enel Finance International NV are considered to be recoverable even though they individually exceed the respective shareholders' equity at December 31, 2012, of each investee. This circumstance is not felt to represent an impairment loss in respect of the investment but rather a temporary mismatch between the two amounts, which in the case of

Enel Finance International NV is attributable to the decline in the fair value of a number of balance sheet items that are reflected in shareholders' equity.

"Equity investments in other companies" at December 31, 2012 all regard unlisted companies and are measured at cost, as the fair value cannot be reliably determined.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011
Equity investments in listed companies measured at fair value	-	265.7
Terna - Rete Elettrica Nazionale SpA	-	265.7
Equity investments in unlisted companies measured at cost	4.2	4.2
Elcogas SA	3.7	3.7
Emittenti Titoli SpA	0.5	0.5

14. Non-current financial assets – €1,835.1 million

The aggregate is composed of the following.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Financial receivables:	306.1	324.9	(18.8)
- due from subsidiaries	138.2	165.5	(27.3)
- due from others	163.1	156.1	7.0
- other	4.8	3.3	1.5
Derivative contracts	1,517.1	1,734.3	(217.2)
Prepaid expenses	11.9	21.1	(9.2)
Total	1,835.1	2,080.3	(245.2)

“Prepaid expenses” are entirely accounted for by residual transaction costs on the €10-billion revolving credit facility agreed on April 19, 2010, between Enel, Enel Finance International and Mediobanca, which are recognized in that account (the non-current portion) and taken to the income statement over the term of the facility (five years).

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

For information on “financial receivables”, refer to the comments in note 19.3.

Millions of euro	From 2 to 5 years		Beyond 5 years	Total	From 2 to 5 years		Beyond 5 years	Total
	at Dec. 31, 2012				at Dec. 31, 2011			
Financial receivables:	277.1	29.0	306.1	97.4	227.5	324.9		
- due from subsidiaries	111.6	26.6	138.2	94.1	71.4	165.5		
- due from others	163.1	-	163.1	-	156.1	156.1		
- other	2.4	2.4	4.8	3.3	-	3.3		
Derivative contracts	217.4	1,299.7	1,517.1	232.1	1,502.2	1,734.3		
Total	494.5	1,328.7	1,823.2	329.5	1,729.7	2,059.2		

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

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Financial assets measured at fair value through profit or loss	1,040.6	1,287.4	(246.8)
Loans and receivables	318.0	346.0	(28.0)
Cash flow hedge derivatives	476.5	446.9	29.6
Total	1,835.1	2,080.3	(245.2)

15. Other non-current assets – €449.0 million

This item can be broken down as follows.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Tax receivables	241.9	42.5	199.4
Receivable from subsidiaries for assumption of supplementary pension plan liabilities “PIA”	197.6	209.7	(12.1)
Other long-term receivables:			
- security deposits	-	0.1	(0.1)
- other receivables	9.5	9.8	(0.3)
Total	9.5	9.9	(0.4)
TOTAL	449.0	262.1	186.9

“Tax receivables” regard the tax credit in respect of the claim for reimbursement submitted by Enel SpA on its own behalf for 2003 and on its own behalf and as the consolidating company for 2004-2012 for excess income tax paid as a result of not partially deducting IRAP in calculating taxable income for IRES purposes, as permitted by Decree Law 185 of November 29, 2008, ratified by Law 2 of January 28, 2009 and Decree Law 201 of December 6, 2011.

The item “Receivable from subsidiaries for assumption of supplementary pension plan liabilities” in the amount of €197.6 million refers to receivables in respect of the assumption by Group companies of their share of the supplementary pension plan. The terms of the agreement sta-

te that the Group companies concerned are to reimburse the costs of extinguishing defined-benefit obligations of the Parent Company, which are recognized under “Post-employment and other employee benefits”.

The portion due beyond 5 years of the “Receivables from subsidiaries for assumption of supplementary pension plan liabilities” came to €135.9 million (€148.0 million at December 31, 2011).

“Other receivables”, amounting to €9.5 million, essentially regard the receivable due from Enel Ingegneria e Ricerca SpA for the sale on the previous year of the interest held in Sviluppo Nucleare Italia Srl.

16. Trade receivables – €477.8 million

The aggregate is composed of the following.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Customers:			
- sale and transport of electricity	0.4	72.3	(71.9)
- other receivables	8.7	9.4	(0.7)
Total	9.1	81.7	(72.6)
Trade receivables due from subsidiaries	468.7	491.8	(23.1)
TOTAL	477.8	573.5	(95.7)

Customer trade receivables, which amounted to €9.1 million, are recognized net of the provision for doubtful accounts amounting to €7.5 million, unchanged with respect to the previous year.

The decrease in receivables from non-Group customers (€72.6 million) is essentially due to the disappearance of

receivables from the Single Buyer as a result of the expiry of the Alpiq contract.

“Trade receivables due from subsidiaries” primarily regard services provided by Enel SpA on behalf of Group companies. The decrease (€23.1 million) was mainly caused by the decline in management fees and service activities.

Trade receivables due from subsidiaries break down as follows.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Subsidiaries:			
- Enel Energy Europe SL	-	3.8	(3.8)
- Enel Produzione SpA	43.8	90.7	(46.9)
- Enel Distribuzione SpA	107.0	54.5	52.5
- Enel Ingegneria e Ricerca SpA	7.4	5.4	2.0
- Enel Green Power SpA	116.0	85.3	30.7
- Endesa SA	1.6	(0.6)	2.2
- Enel Servizio Elettrico SpA	15.3	19.6	(4.3)
- Enel Trade SpA	7.3	4.9	2.4
- Enel Energia SpA	23.5	45.9	(22.4)
- Enel Servizi Srl	18.6	32.8	(14.2)
- Slovenské elektrárne AS	15.0	33.1	(18.1)
- Enel.si Srl	16.7	12.3	4.4
- Enelpower SpA	0.2	1.7	(1.5)
- Enel Investment Holding BV	1.7	2.9	(1.2)
- Enel North America Inc.	0.9	0.9	-
- Enel Sole Srl	3.7	5.5	(1.8)
- Enel OGK5-5 OJSC	18.3	12.8	5.5
- Endesa Distribución Eléctrica SL	22.0	22.7	(0.7)
- Endesa Generación SA	14.0	4.4	9.6
- Enel Romania Srl	8.4	7.6	0.8
- Sviluppo Nucleare Italia Srl	0.1	-	0.1
- Unión Eléctrica De Canarias Generación SAU	11.6	9.4	2.2
- Other	15.6	36.2	(20.6)
Total	468.7	491.8	(23.1)

Trade receivables by geographical area are shown below.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Italy	360.2	430.3	(70.1)
EU	78.6	118.8	(40.2)
Non-EU	33.7	19.4	14.3
Other	5.3	5.0	0.3
Total	477.8	573.5	(95.7)

17. Income tax receivables – €259.9 million

Income tax receivables at December 31, 2012, totaled €259.9 million and essentially regard the Company's IRES credit for current 2012 taxes.

18. Current financial assets – €6,443.2 million

This item can be broken down as follows.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Financial receivables due from Group companies:	5,609.1	8,647.6	(3,038.5)
- short-term financial receivables (intercompany current account)	5,208.5	8,165.8	(2,957.3)
- short-term loan to Enel Finance International NV	-	120.0	(120.0)
- current portion of receivables for assumption of loans	27.3	15.5	11.8
- other financial receivables	264.3	272.8	(8.5)
- derivatives	109.0	73.5	35.5
Financial receivables due from others:	834.1	1,020.3	(186.2)
- derivatives	99.1	310.5	(211.4)
- current portion of long-term loans	0.4	0.3	0.1
- other financial receivables	111.9	116.4	(4.5)
- cash collateral for margin agreements on OTC derivatives	622.7	593.1	29.6
Total	6,443.2	9,667.9	(3,224.7)

“Current financial assets” decreased by €3,224.7 million compared with previous year.

For further information, refer to note 19.4, except for “derivative contracts”, which are described in note 4.b.

19. Net financial debt – €12,437.8 million

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

Millions of euro

	Notes	at Dec. 31, 2012	at Dec. 31, 2011	Change
Long-term loans	19.1	19,314.8	18,082.8	1,232.0
Short-term loans	19.2	4,952.6	2,471.8	2,480.8
Current portion of long-term loans	19.1	808.9	4,113.3	(3,304.4)
Non-current financial assets included in debt	19.3	306.1	324.9	(18.8)
Current financial assets included in debt	19.4	5,871.8	8,917.0	(3,045.2)
Cash and cash equivalents	19.5	6,460.6	1,832.0	4,628.6
Total		12,437.8	13,594.0	(1,156.2)

Net financial debt at December 31, 2012 is calculated in conformity with the CONSOB instructions of July 28, 2006, reconciled with the net financial debt reported in the report on operations.

Millions of euro

	at Dec. 31, 2012		at Dec. 31, 2011	
		<i>of which with related parties</i>		<i>of which with related parties</i>
Cash and cash equivalents on hand	-		0.1	
Bank and post office deposits	6,460.6		1,831.9	
Liquidity	6,460.6		1,832.0	
Current financial receivables	5,871.9	5,235.9	8,917.0	8,301.3
Short-term bank debt	(137.6)		(636.4)	
Short-term portion of long-term debt	(808.9)		(4,113.3)	
Other short-term financial payables	(4,815.0)	(4,127.1)	(1,835.4)	(1,193.3)
Current financial payables	(5,761.5)		(6,585.1)	
Net short-term financial position	6,570.9		4,163.9	
Long-term bank debt	(492.4)		(1,307.0)	
Bonds issued	(16,322.4)		(14,275.8)	
Other long-term debt	(2,500.0)	(2,500.0)	(2,500.0)	(2,500.0)
Non-current financial payables	(19,314.8)		(18,082.8)	
Long-term financial position	(19,314.8)		(18,082.8)	
NET FINANCIAL POSITION as per CONSOB instructions	(12,743.9)		(13,918.9)	
Long-term financial receivables	306.1	138.2	324.9	165.5
NET FINANCIAL DEBT	(12,437.8)		(13,594.0)	

19.1 Long-term loans (including the portion falling due within 12 months) – €20,123.7 million

The aggregate, which includes long-term debt in respect of bonds, bank loans and other loans in euro and other currencies, including the portion falling due within twelve months (equal to €808.9 million), amounted to €20,123.7 million at December 31, 2012.

The following tables show long-term debt and repayment schedules at December 31, 2012, grouped by loan and interest rate type.

Millions of euro	Maturing	Carrying amount	Nominal value	Carrying amount	Nominal value
		at Dec. 31, 2012		at Dec. 31, 2011	
Bonds:					
- listed, fixed rate	2013-2037	11,518.4	11,661.9	9,641.8	9,729.8
- listed, floating rate	2014-2031	4,019.1	4,050.0	3,926.4	3,950.0
- unlisted, floating rate	2013-2032	1,593.7	1,593.8	1,764.7	1,764.9
Total		17,131.2	17,305.7	15,332.9	15,444.7
Bank loans:					
- fixed rate	-	-	-	0.1	0.1
- floating rate	2014-2016	492.5	498.7	4,363.1	4,386.0
Total		492.5	498.7	4,363.2	4,386.1
Loans from Group companies:					
- fixed rate	2025	2,500.0	2,500.0	2,500.0	2,500.0
Total		2,500.0	2,500.0	2,500.0	2,500.0
TOTAL		20,123.7	20,304.4	22,196.1	22,330.8

Millions of euro	Carrying amount	Current portion		Portion maturing	Maturing in				
		<12 months	>12 months		2014	2015	2016	2017	Beyond
	at Dec. 31, 2012								
Bonds:									
- listed, fixed rate	11,518.4	749.7	10,768.7	-	994.5	1,973.3	1,494.4	6,306.5	
- listed, floating rate	4,019.1	-	4,019.1	999.0	1,296.2	987.5	-	736.4	
- unlisted, fixed rate	-	-	-	-	-	-	-	-	
- unlisted, floating rate	1,593.7	59.2	1,534.5	61.3	62.8	63.9	65.0	1,281.5	
Total	17,131.2	808.9	16,322.3	1,060.3	2,353.5	3,024.7	1,559.4	8,324.4	
Bank loans:									
- fixed rate	-	-	-	-	-	-	-	-	
- floating rate	492.5	-	492.5	100.0	-	392.5	-	-	
Total	492.5	-	492.5	100.0	-	392.5	-	-	
Loans from Group companies:									
- fixed rate	2,500.0	-	2,500.0	-	-	-	-	2,500.0	
- floating rate	-	-	-	-	-	-	-	-	
Total	2,500.0	-	2,500.0	-	-	-	-	2,500.0	
TOTAL	20,123.7	808.9	19,314.8	1,160.3	2,353.5	3,417.2	1,559.4	10,824.4	

The balance for bonds is stated net of €633.1 million relating to the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", held by Enel SpA.

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

Millions of euro	Carrying amount		Nominal value	Current interest rate	Effective interest rate
	at Dec. 31, 2011	at Dec. 31, 2012			
Euro	20,848.5	18,743.7	18,907.6	4.11%	4.35%
Pound sterling	1,347.6	1,380.0	1,396.8	5.99%	6.10%
Total non-euro currencies	1,347.6	1,380.0	1,396.8		
TOTAL	22,196.1	20,123.7	20,304.4		

The table below reports changes in the nominal value of long-term debt during 2012.

Millions of euro	Nominal value	Repayments	New borrowing	Own bonds repurchased	Exchange rate differences	Nominal value
						at Dec. 31, 2011
Bonds	15,444.7	(1,057.5)	3,000.0	(113.6)	32.1	17,305.7
Bank loans	4,386.1	(3,887.4)	-	-	-	498.7
Loans from Group companies	2,500.0	-	-	-	-	2,500.0
Total	22,330.8	(4,944.9)	3,000.0	(113.6)	32.1	20,304.4

Compared with December 31, 2011, the nominal value of long-term debt at December 31, 2012 decreased by €2,026.4 million as the net result of €4,944.9 million in repayments, €3,000.0 million in new borrowing, €113.6 million in repurchases of own bonds, and €32.1 million in negative exchange rate differences.

The main transactions carried out in 2012 include:

- > the issue of a fixed-rate and floating-rate bond maturing February 20, 2018, for Italian retail investors in the total amount of €3,000.0 million, structured as follows:
 - €2,500.0 million fixed rate 4.875%;
 - €500.0 million floating rate;
- > the repayment of bank credit facilities in the total

- amount of €1,900.0 million;
- > the redemption of maturing tranches of bonds in the total amount of €1,057.5 million;
- > ordinary and voluntary repayments totaling €1,987.4 million in respect of the original €35 billion syndicated credit facility, of which:
 - €1,156.4 million in respect of the tranche falling due in April 2012;
 - €831.0 million in respect of the tranche falling due in 2014.

Following these repayments, at December 31, 2012, the nominal value of the original €35 billion credit facility held by Enel SpA and its subsidiary Enel Finance International NV amounted to €617.4 million maturing in April 2016 (of

which €398.7 million pertaining to Enel SpA).

The 5-year €10 billion revolving credit facility obtained in April 2010 by Enel SpA and Enel Finance International NV was entirely unused by Enel SpA at December 31, 2012.

The following table compares the carrying amount and the fair value of long-term debt, including the portion falling due within twelve months, broken down by category. For listed debt instruments, the fair value is given by official prices. For unlisted debt instruments the fair value is determined using appropriate valuation models for each category of financial instrument and market data at the closing date of the year, including the Group's credit spreads.

Millions of euro	Carrying amount	Fair value	Carrying amount	Fair value
	at Dec. 31, 2012		at Dec. 31, 2011	
Bonds:				
- fixed rate	11,518.4	12,642.7	9,641.8	9,396.3
- floating rate	5,612.8	5,266.4	5,691.1	5,074.0
Bank loans:				
- fixed rate	-	-	0.1	0.1
- floating rate	492.5	513.4	4,363.1	4,310.7
Loans from Group companies:				
- fixed rate	2,500.0	2,744.8	2,500.0	2,283.0
Total	20,123.7	21,167.3	22,196.1	21,064.1

The following tables show a breakdown of long-term loans (carrying amount), distinguishing current from non-current (beyond 12 months) portions, along with comparative figures for December 31, 2011.

Long-term loans (excluding current portion)

Millions of euro	at Dec. 31, 2012	at Dec. 31, 2011	Change
Bonds:			
- fixed rate	10,768.7	9,042.1	1,726.6
- floating rate	5,553.6	5,233.7	319.9
Bank loans:			
- floating rate	492.5	1,307.0	(814.5)
Loans from Group companies:			
- fixed rate	2,500.0	2,500.0	-
Total	19,314.8	18,082.8	1,232.0

Current portion of long-term loans

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Bonds:			
- fixed rate	749.7	599.7	150.0
- floating rate	59.2	457.4	(398.2)
Bank loans:			
- fixed rate	-	0.1	(0.1)
- floating rate	-	3,056.1	(3,056.1)
Total	808.9	4,113.3	(3,304.4)

The main long-term financial debts are governed by covenants containing undertakings that are commonly adopted in international business practice.

The main covenants governing the debt regard the bond issues carried out within the framework of the Global Medium-Term Notes program, the Credit Agreement 2009 and the €10 billion revolving credit line agreed in April 2010. To date none of the covenants have been triggered.

The commitments in respect of the bond issues in the Global Medium-Term Notes program can be summarized as follows:

- > negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;
- > *pari passu* clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have at least the same seniority as other present and future bonds of the issuer;
- > specification of default events, whose occurrence (e.g. insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default; under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- > early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

The main covenants for the Credit Agreement 2009 and the €10 billion revolving line of credit are substantially similar and can be summarized as follows:

- > negative pledge clauses under which the borrower (and its significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of its assets to secure any present or future financial liability;
- > *pari passu* clauses, under which the payment undertakings constitute a direct, unconditional and unsecured obligation of the borrower and bear no preferential rights among them and have at least the same seniority as other present and future loans;
- > change of control clause, which is triggered in the event (i) control of Enel is acquired by one or more parties other than the Italian state or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to parties outside the Group such that the financial reliability of the Group is significantly compromised. The occurrence of one of the two circumstances may give rise to (a) the renegotiation of the terms and conditions of the financing or (b) compulsory early repayment of the financing by the borrower;
- > specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, false statements, insolvency or declaration of insolvency by the borrower or its significant subsidiaries, business closure, government intervention or nationalization, administrative proceeding with potential negative impact, illegal conduct, nationalization and government expropriation or compulsory acquisition of the borrower or one of its significant subsidiaries) constitutes a default. Unless remedied within a

- specified period of time, such default will trigger an obligation to make immediate repayment of the loan under an acceleration clause;
- > cross default clauses, under which the occurrence of a default event in respect of any financial liability (above a threshold level) of the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are equal to at least a specified percentage (10%) of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
 - > periodic reporting requirements.

The Credit Agreement 2009 also provides for the following covenants:

- > mandatory early repayment clauses, under which the occurrence of a specified event (e.g. the issue of instruments on the capital market, new bank loans, stock issues or asset disposals) obliges the borrower

to repay the related funds in advance at specific declining percentages based on the extent to which the line of credit has been drawn;

- > a gearing clause, under which, at the end of each measurement period (half yearly), the Enel Group's net financial debt shall not exceed 6 times annual consolidated EBITDA;
- > a "subsidiary financial indebtedness" clause, under which the net aggregate amount of the financial debt of Enel's subsidiaries (with the exception of the debt of "permitted subsidiaries") must not exceed 20% of total gross consolidated assets.

For the Credit Agreement 2009, as from 2012, at the end of each measurement period (half yearly): (i) the gearing clause requires that the Enel Group's net financial debt shall not exceed 4.5 times annual consolidated EBITDA; and (ii) the ratio of annual consolidated EBITDA to net consolidated interest expense shall not be less than 4.

19.2 Short-term loans – €4,952.6 million

Short-term loans break down as follows.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Due to third parties	825.5	1,278.5	(453.0)
Due to Group companies	4,127.1	1,193.3	2,933.8
Total	4,952.6	2,471.8	2,480.8

Amounts due to third parties (€825.5 million) show a decrease of €453.0 million, essentially due to a decline in use of credit lines (€498.8 million), partly offset by greater cash collateral received from counterparties for transactions in OTC derivatives on interest rates and exchange rates (€45.8 million).

Amounts due to Group companies (€4,127.1 million) increased by €2,933.8 million, due to the growth in the debtor position on the intercompany current account held with subsidiaries (€1,733.8 million) and drawings on the credit facility with Enel Finance International (€1,200.0 million).

19.3 Non-current financial assets included in debt – €306.1 million

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Financial receivables:			
- due from subsidiaries	138.2	165.5	(27.3)
- due from others	163.1	156.1	7.0
- other	4.8	3.3	1.5
Total	306.1	324.9	(18.8)

The item “Financial receivables due from subsidiaries” refers to receivables in respect of the assumption by Group companies of their share of financial debt (€138.2 million). The terms of the agreements call for the rebilling of the related finance costs and the income and expenses accrued on the interest-rate risk hedging contracts, as well as the repayment of the principal upon maturity of each loan. The decrease of €27.3 million was attributable to the reclassification to current financial assets of the portion of receivables falling due within 12 months.

“Financial receivables due from others” (€163.1 million) regard the original loan of €145.0 million plus capitalized interest from Enel SpA to F2i Reti Italia in performance of the contract for the sale to the latter of 80% of Enel Rete Gas SpA.

For a breakdown by maturity of non-current financial assets, included in debt, please refer to note 14.

19.4 Current financial assets included in debt – €5,871.8 million

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Financial receivables due from Group companies:	5,235.8	8,301.3	(3,065.5)
- short-term financial receivables (intercompany current account)	5,208.5	8,165.8	(2,957.3)
- current portion of receivables for assumption of loans	27.3	15.5	11.8
- other financial receivables	-	120.0	(120.0)
Financial receivables due from others:	636.0	615.7	20.3
- current portion of long-term loans	0.4	0.3	0.1
- other financial receivables	12.9	22.3	(9.4)
- cash collateral for margin agreements on OTC derivatives	622.7	593.1	29.6
Total	5,871.8	8,917.0	(3,045.2)

“Financial receivables due from Group companies” decreased by €3,065.5 million compared with the end of 2011, essentially as a result of:

- > a reduction in short-term financial receivables due from Group companies on the intercompany current account (€2,957.3 million), essentially attributable to transactions with Enel Produzione (€3,043.0 million) and Enel Distribuzione (332.1 million), in both cases owing to the replacement of Enel SpA with Enel Finance International

NV as the intercompany lender; this was partially offset by greater borrowing by Enel Trade (€466.0 million); > the repayment of the bridge facility by Enel Finance International NV in the amount of €120.0 million.

“Financial receivables due from others” increased by €20.3 million compared with December 31, 2011, mainly attributable to the rise in cash collateral paid to counterparties for OTC derivatives on interest rates and exchange rates.

19.5 Cash and cash equivalents – €6,460.6 million

Cash and cash equivalents are detailed in the following table.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Bank deposits	5,960.4	1,831.1	4,129.3
Post office deposits	500.2	0.8	499.4
Cash and cash equivalents on hand	-	0.1	(0.1)
Total	6,460.6	1,832.0	4,628.6

Cash and cash equivalents amounted to €6,460.6 million, an increase of €4,628.6 million compared with December 31, 2011.

20. Other current assets – €262.7 million

At December 31, 2012, the item broke down as follows.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Tax receivables	98.0	35.7	62.3
Other receivables due from Group companies	161.3	181.0	(19.7)
Receivables due from others	3.4	27.5	(24.1)
Total	262.7	244.2	18.5

Compared with December 31, 2011, “other current assets” show a total increase of €18.5 million.

“Tax receivables” totaled €98.0 million and are primarily related to the VAT credit for the Group in the amount of €63.5 million and prior-year IRAP credits for which reimbursement has been requested in the amount of €24.0 million.

“Other receivables due from Group companies” relate

mainly to IRES receivables due from the Group companies that participate in the consolidated taxation mechanism (€97.1 million), as well as to the VAT credit of the companies participating in the Group VAT mechanism (€63.7 million). The reduction of €19.7 million on December 31, 2011 is mainly attributable to the decrease in the Group VAT credit (€75.5 million), partially offset by the increase in IRES receivables due from companies participating in the consolidated taxation mechanism (€57.3 million).

21. Non-current assets held for sale – €0.0 million

“Non-current assets held for sale”, amounting to €1,000, refer to the 1% interest held in Idrosicilia SpA. The shares are pledged as security for a loan to Sicilacque, in which Idrosicilia itself holds a stake.

22. Shareholders' equity – €25,828.0 million

Shareholders' equity amounted to €25,828.0 million, up €1,638.0 million on December 31, 2011. The increase is essentially attributable to net income for the year (€3,142.6 million), partially offset by the distribution of the balance of the dividend for 2011 in the amount of €0.16 per share (for a total of €1,504.6 million) approved by the shareholders on April 30, 2012.

Share capital – €9,403.4 million

Considering that no options were exercised as part of stock option plans in 2012 under the plans approved by the Company, the share capital of Enel SpA is equal to €9,403,357,795, represented by 9,403,357,795 ordinary shares (fully subscribed and paid up) with a par value of €1.00 each at December 31, 2012 (same at December 31, 2011).

At the same date, based on the shareholders register and the notices submitted to CONSOB and received by the Company pursuant to Article 120 of Legislative Decree 58 of February 24, 1998, as well as other available information, no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 31.24%, and BlackRock Inc., which holds a 3.33% stake, held as at November 8, 2012 for asset management purposes.

Other reserves – €9,104.8 million

Share premium reserve – €5,292.1 million

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

Legal reserve – €1,880.7 million

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

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

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

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

Other reserves – €68.2 million

Other reserves include €19.0 million related to the reserve for capital grants, which reflects 50% of the grants received from Italian public entities and EU bodies in application of related laws for new works (pursuant to Article 55 of Presidential Decree 917/1986), which are recognized in equity in order to take advantage of tax deferral benefits. It also includes €29.1 million in respect of the stock option reserve and €20.1 million for other reserves.

Reserve from measurement of financial instruments – €(351.6) million

At December 31, 2012 the item was entirely represented by the reserve from measurement of cash flow hedge derivatives with a negative value €351.6 million (net of the positive tax effect of €89.0 million).

Note that the reserve from measurement of AFS financial instruments at December 31, 2011, which amounted to a positive €216.5 million (net of the negative tax effect of €3.0 million), was released in its entirety to income following the disposal of the investment in Terna.

The table below provides a breakdown of changes in 2011 and 2012.

Millions of euro	2011				2012				
	Gains/(Losses) recognized in equity for the year (gross)	Releases to income (gross)	Tax effect	Gains/(Losses) recognized in equity for the year (gross)	Releases to income (gross)	Tax effect			
	at Jan. 1, 2011			at Dec. 31, 2011			at Dec. 31, 2012		
Gains/(Losses) from fair value measurement of cash flow hedging, effective portion	(189.2)	(145.2)	67.4	(23.6)	(290.6)	(131.3)	48.0	22.3	(351.6)
Gains/(Losses) from fair value measurement of financial investments available for sale	274.8	(59.1)	-	0.8	216.5	14.8	(234.3)	3.0	-
Gains/(Losses) recognized directly in equity	85.6	(204.3)	67.4	(22.8)	(74.1)	(116.5)	(186.3)	25.3	(351.6)

Retained earnings – €3,899.8 million

In 2012, the item shows an increase of €22.0 million, attributable to retained net income for the previous year, as approved by the Shareholders' Meeting of April 30, 2012.

Net income – €3,420.0 million

Net income for 2012 amounted to €3,420.0 million.

The table below shows the availability of shareholders' equity for distribution.

Millions of euro	Amount	Possible uses	Amount available
Share capital	9,403.4		
Capital reserves:			
- share premium reserve	5,292.1	ABC	5,292.1
Income reserves:			
- legal reserve	1,880.7	B	-
- reserve pursuant to Law 292/1993	2,215.4	ABC	2,215.4
- reserve from measurement of financial instruments	(351.6)		
- reserve for capital grants	19.0	ABC	19.0
- stock option reserve	29.1	ABC	26.9 ⁽¹⁾⁽²⁾
- other	20.1	ABC	20.1
Retained earnings/(loss carried forward)	3,899.8	ABC	3,899.8
Total	22,408.0		11,473.3
amount available for distribution			11,470.4

A: for capital increases.

B: to cover losses.

C: for distribution to shareholders.

(1) Regards lapsed options.

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

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

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

23. Post-employment and other employee benefits – €333.2 million

The Company provides its employees with a variety of benefits, including termination benefits, additional months' pay for having reached age limits or eligibility for old-age pension, loyalty bonuses for achievement of seniority milestones, supplemental retirement and healthcare plans, residential electricity discounts and similar benefits. More specifically:

- > the item "pension benefits", in addition to termination benefits, regards estimated accruals made to cover benefits due under the supplemental retirement schemes of retired employees;
- > the item "electricity discount" comprises benefits regarding residential electricity supply. Until 2010 the discount was granted to current and retired employees,

but, following an agreement with the unions, has now been converted into other forms of remuneration for current employees and therefore remains in effect only for retired employees;

- > the item "health insurance" reports benefits for current or retired employees covering medical expenses;
- > "other benefits" comprise liabilities in respect of defined-benefit plans not included in the previous items.

The following table reports the change during the year in actuarial liabilities, as well as a reconciliation of actuarial liabilities with liabilities recognized in the balance sheet at December 31, 2012 and December 31, 2011.

Millions of euro

at Dec. 31, 2012

	Pension benefits	Electricity discount	Health insurance	Other benefits	Total
Changes in actuarial liability					
Actuarial liability at the beginning of the year	281.3	6.0	35.9	11.7	334.9
Service cost	0.1	-	0.3	8.5	8.9
Interest cost	12.5	0.3	1.6	-	14.4
Benefits paid	(29.2)	(1.0)	(3.1)	(7.0)	(40.3)
Past service cost	6.4	-	-	-	6.4
Other changes	(0.5)	-	-	(0.1)	(0.6)
Actuarial (gains)/losses	25.1	3.8	4.4	0.5	33.8
Actuarial liability at the end of the year	295.7	9.1	39.1	13.6	357.5
Reconciliation with carrying amount					
Actuarial liability at the end of the year	295.7	9.1	39.1	13.6	357.5
Net unrecognized (gains)/losses	12.4	3.8	2.2	-	18.4
Unrecognized past service cost	5.9	-	-	-	5.9
Carrying amount of liability at the end of the year	277.4	5.3	36.9	13.6	333.2

Millions of euro

at Dec. 31, 2011

	Pension benefits	Electricity discount	Health insurance	Other benefits	Total
Changes in actuarial liability					
Actuarial liability at the beginning of the year	307.2	7.5	38.8	5.6	359.1
Service cost	0.1	-	0.4	9.5	10.0
Interest cost	12.6	0.3	1.6	-	14.5
Benefits paid	(29.8)	(0.5)	(2.8)	(3.5)	(36.6)
Other changes	-	(0.6)	(0.1)	-	(0.7)
Actuarial (gains)/losses	(8.8)	(0.7)	(2.0)	0.1	(11.4)
Actuarial liability at the end of the year	281.3	6.0	35.9	11.7	334.9
Reconciliation with carrying amount					
Actuarial liability at the end of the year	281.3	6.0	35.9	11.7	334.9
Net unrecognized (gains)/losses	(13.0)	-	(2.2)	-	(15.2)
Carrying amount of liability at the end of the year	294.3	6.0	38.1	11.7	350.1

The service cost of employee benefits in 2012 amounted to €8.9 million (€10.0 million in 2011) recognized under personnel expenses, essentially related to long-term incentive plans, while the accretion cost recognized

under interest cost amounted to €14.4 million (€14.5 million in 2011).

The main actuarial assumptions used to calculate the liabilities arising from employee benefits, which are consistent with those used the previous year, are set out below.

	2012	2011
Discount rate	1.6%-3.2%	4.7%
Rate of wage increases	2.0%-4.0%	2.0%-4.0%
Rate of increase in healthcare costs	3.0%	3.0%

If, at December 31, 2012, the 12-month rate of change in healthcare costs had been 1 percentage point higher, all other variables being equal, the liability for healthcare benefits would have been €5.2 million higher, with an overall negative impact on the income statement in terms of service cost and interest cost of €0.2 million. If,

at December 31, 2012, the 12-month rate of change in healthcare costs had been 1 percentage point lower, all other variables being equal, the liability for healthcare benefits would have been €4.4 million lower, with a positive impact on the income statement in terms of service cost and interest cost of €0.1 million.

24. Provisions for risks and charges – €36.0 million

The “provisions for risks and charges” cover potential liabilities that could arise from legal proceedings and other disputes, without considering the effects of rulings that are expected to be in the Company’s favor and those for which any charge cannot be quantified with reasonable certainty.

In determining the balance of the provision, we have taken account of both the charges that are expected to result from court judgments and other dispute settlements for the year and an update of the estimates for positions arising in previous years not related to the transferred business units.

The following table shows changes in provisions for risks and charges.

Millions of euro	Taken to income statement				Total	
	at Dec. 31, 2011	Accruals	Reversals	Utilization		
Provision for litigation, risks and other charges:						
- litigation	32.8	4.0	(3.7)	(1.3)	31.8	29.6
- other	4.2	1.0	(1.0)	-	4.2	1.3
Total	37.0	5.0	(4.7)	(1.3)	36.0	30.9

The major developments include the decrease in the litigation provision (€1.0 million), which essentially reflects uses in respect of the settlement of a number of disputes.

25. Non-current financial liabilities – €2,392.7 million

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

26. Other non-current liabilities – €240.2 million

“Other non-current liabilities” amounted to €240.2 million (€41.1 at December 31, 2011). They essentially regard the debt towards Group companies that arose following Enel SpA’s request (submitted in its capacity as the consolidating company) for reimbursement for 2004-2012 of

the additional income taxes paid as a result of not deducting part of IRAP in computing taxable income for IRES purposes, as permitted by Decree Law 185 of November 29, 2008, ratified with Law 2 of January 28, 2009 and Decree Law 201 of December 6, 2011.

27. Trade payables – €193.4 million

“Trade payables” include payables due to third parties of €125.7 million (€218.5 million at December 31, 2011) and payables due to Group companies of €67.7 million (€110.1 million at December 31, 2011).

Trade payables due to third parties were down €92.8 million at December 31, 2012, compared with the previous year, essentially as a result of the termination of electricity supply arrangements following the expiry of the Alpiq contract.

Trade payables due to subsidiaries at December 31, 2012, break down as follows.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Subsidiaries:			
- Enel Produzione SpA	1.0	1.2	(0.2)
- Enel Distribuzione SpA	10.8	12.0	(1.2)
- Enel Ingegneria e Ricerca SpA	4.2	8.9	(4.7)
- Enel Servizio Elettrico SpA	2.2	2.2	-
- Enel Trade SpA	0.8	15.8	(15.0)
- Enel Green Power SpA	1.2	1.2	-
- Enel Servizi Srl	30.4	57.7	(27.3)
- Enel.Factor SpA	2.5	5.7	(3.2)
- Endesa	6.9	2.8	4.1
- OGK-5 OJSC	2.0	0.7	1.3
- Sviluppo Nucleare Italia Srl	2.2	-	2.2
- Other	3.5	1.9	1.6
Total	67.7	110.1	(42.4)

Trade payables break down by geographical area as follows.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Suppliers:			
- Italy	168.5	255.1	(86.6)
- EU	15.4	15.1	0.3
- Non-EU	7.1	56.5	(49.4)
- Other	2.4	1.9	0.5
Total	193.4	328.6	(135.2)

28. Current financial liabilities – €798.2 million

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

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Deferred financial liabilities	488.5	421.1	67.4
Derivative contracts	263.0	468.3	(205.3)
Other items	46.7	141.9	(95.2)
Total	798.2	1,031.3	(233.1)

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

29. Other current liabilities – €676.8 million

“Other current liabilities” mainly concern IRES payable to the tax authorities and to the Group companies participating in the consolidated taxation mechanism, as well as the Group VAT system. They can be broken down as follows.

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Tax payables	353.9	382.5	(28.6)
Payables due to Group companies	282.7	284.2	(1.5)
Payables due to employees, recreational/assistance associations	25.1	23.8	1.3
Social security contributions payable	9.5	9.1	0.4
Payables due to customers for security deposits and reimbursements	1.2	1.2	-
Other	4.4	52.9	(48.5)
Total	676.8	753.7	(76.9)

“Tax payables” amounted to €353.9 million and essentially regard amounts due to tax authorities for the IRES liabilities of the companies participating in the consolidated tax mechanism (€321.4 million) and VAT (€10.7 million). The decrease with respect to 2011 (€28.6 million) is essentially attributable to the reduction in the debtor position in respect

of tax authorities for Group VAT to be paid (€51.3 million). The “Other” item amounted to €4.4 million, down €48.5 million, essentially due to the elimination of the debt in respect of the investment held in Enel Green Power SpA following the actual delivery of the shares associated with the bonus share mechanism.

30. Related parties

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

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

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

Finally, the Enel Group's corporate governance rules (for more details see the appropriate section in this report) establish conditions for ensuring that transactions with related parties are performed in accordance with procedural

and substantive propriety.

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at http://www.enel.com/en-GB/group/governance/rules/related_parties/) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2012, 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.

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

Commercial and other relationships

2012

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
			at Dec. 31, 2012		2012	
Subsidiaries:						
- Carboex SA	-	-	-	-	-	0.1
- Concert Srl	-	-	-	-	-	0.1
- Endesa Distribución Eléctrica SL	22.0	-	-	-	-	19.6
- Endesa Energía XXI SL	0.4	-	-	-	-	(0.7)
- Endesa Generación Portugal SA	0.2	-	-	-	-	-
- Endesa Generación SA	14.0	-	-	-	-	14.9
- Endesa Ingeniería SLU	0.4	-	-	-	-	0.2
- Endesa Ireland Ltd	-	-	-	-	-	0.6
- Endesa Latinoamérica SA	1.2	0.7	-	0.7	-	1.2
- Endesa Operaciones y Servicios Comerciales SL	0.1	-	-	-	-	0.3
- Endesa Red SA	0.2	-	-	-	-	0.2
- Endesa SA	1.6	6.9	-	4.7	-	3.2
- Endesa Servicios SL	0.1	-	-	-	-	0.1
- Enel Distributie Banat SA	0.9	-	-	-	-	1.0
- Enel Distributie Dobrogea SA	0.7	-	-	-	-	0.5
- Enel Distributie Muntenia SA	1.4	-	-	-	-	1.4
- Enel Distribuzione SpA	340.4	156.8	-	10.7	-	102.9
- Enel Energia SpA	39.5	5.8	-	-	-	38.6
- Enel Energie Muntenia SA	0.2	-	-	-	-	0.1
- Enel Energie SA	0.2	-	-	-	-	0.1
- Enel Energy Europe SL	-	0.5	-	-	-	(3.7)
- Enel France Sas	1.1	0.3	-	0.2	-	0.7
- Enel Green Power International BV	1.2	-	-	-	-	-
- Enel Green Power Partecipazioni Speciali Srl	-	0.7	-	-	-	-
- Enel Green Power Portoscuso Srl	0.2	-	-	-	-	-
- Enel Green Power Romania Srl	0.2	-	-	-	-	-
- Enel Green Power SpA	121.8	6.5	-	-	-	27.6
- Enel Green Power Latin America BV	3.8	-	-	-	-	-
- Enel Green Power North America Inc.	0.9	0.3	-	0.5	-	0.1
- Enel Ingegneria e Ricerca SpA	18.4	14.5	-	6.4	-	6.2
- Enel Investment Holding BV	1.7	-	-	-	-	-
- Enel M@p Srl	0.3	0.1	-	-	-	-
- Enel OGK-5 OJSC	18.3	2.0	-	1.4	-	5.5
- Enel Produzione SpA	130.7	173.2	-	0.3	-	45.4
- Enel Romania Srl	8.4	0.6	-	0.5	-	1.5
- Enel Servicii Comune SA	2.6	0.4	-	0.2	-	0.3
- Enel Servizi Srl	32.2	57.4	-	58.5	-	12.7
- Enel Servizio Elettrico SpA	15.3	96.5	-	0.1	-	11.9
- Enel Sole Srl	4.6	4.4	-	0.1	-	3.1
- Enel Stocaggi Srl	0.1	-	-	-	-	0.1
- Enel Trade SpA	7.3	38.2	0.9	0.4	-	8.2
- Enel Unión Fenosa Renovables SA	1.9	-	-	-	-	-
- Enel.Factor SpA	0.3	2.7	-	-	-	0.1

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
	at Dec. 31, 2012		2012		2012	
Subsidiaries						
- Enel.NewHydro Srl	0.1	1.4	-	-	-	0.1
- Enel.Re Ltd	0.1	-	-	-	-	0.2
- Enel.si Srl	16.7	9.9	-	-	-	3.4
- Enelpower SpA	0.4	3.5	-	-	-	0.1
- ENERGIA	(4.4)	-	-	-	-	2.8
- Gas y Electricidad Generación SAU	1.1	-	-	-	-	2.6
- Marcinelle Energie SA	0.4	-	-	-	-	-
- Nuove Energie Srl	0.8	0.7	-	-	-	0.7
- RusenErgoSbyt LLC	-	0.2	-	0.2	-	-
- Slovenské elektrárne AS	15.0	1.0	-	0.7	-	11.0
- Sodesa - Comercialização de Energia SA	0.1	-	-	-	-	0.1
- Sviluppo Nucleare Italia Srl	0.1	4.2	-	1.3	-	0.1
- Unión Eléctrica de Canarias Generación SAU	11.6	-	-	-	-	6.1
- Wisco SPA	-	-	-	-	-	0.2
Total	836.8	589.4	0.9	86.9	-	331.5
Other related parties:						
- Enel Cuore Onlus	0.2	-	-	-	-	0.5
- Fondenel	0.3	-	-	-	-	0.2
- ESO	0.9	-	-	-	-	-
- Fondirigenti	-	-	-	-	-	0.9
- Poste Italiane	0.1	-	-	-	-	-
- Terna	0.2	-	-	-	-	-
Total	1.7	-	-	-	-	1.6
TOTAL	838.5	589.4	0.9	86.9	-	333.1

2011

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
			at Dec. 31, 2011		2011	
Subsidiaries:						
- Deval SpA ⁽¹⁾	-	-	-	-	-	0.5
- DEPSA	-	-	-	-	-	0.1
- EASA I	-	-	-	-	-	0.1
- Endesa Distribución Eléctrica SL	22.7	-	-	-	-	33.8
- Endesa Energía SA	9.4	-	-	-	-	1.5
- Endesa Energía XXI SL	2.2	-	-	-	-	1.6
- ENCASUR	0.2	-	-	-	-	-
- Endesa Generación Portugal SA	0.3	-	-	-	-	0.3
- Endesa Generación SA	4.4	-	-	-	-	8.7
- Endesa Ingeniería SLU	0.2	-	-	-	-	-
- Endesa Ireland Ltd	(0.1)	-	-	-	-	0.3
- Endesa Operaciones y Servicios Comerciales SL	0.8	-	-	-	-	0.3
- Endesa Red SA	0.1	-	-	-	-	0.2
- Endesa SA	(0.6)	2.8	-	3.2	-	2.3
- Endesa Servicios SL	0.4	-	-	-	-	0.2
- Endesa Trading SA	0.2	-	-	-	-	0.2
- Enel Distributie Banat SA	3.2	-	-	-	-	1.1
- Enel Distributie Dobrogea SA	2.5	-	-	-	-	1.0
- Enel Distributie Muntenia SA	2.4	-	-	-	-	1.1
- Enel Distribuzione SpA	246.2	42.3	-	12.1	-	99.5
- Enel Energia SpA	129.9	0.5	-	-	-	41.4
- Enel Energie Muntenia SA	0.2	-	-	-	-	-
- Enel Energie SA	0.4	-	-	0.1	-	0.2
- Enel Energy Europe SL	3.8	0.5	-	-	-	-
- Enel France Sas	1.6	-	-	-	-	1.7
- Enel Green Power France Sas	0.4	-	-	-	-	0.2
- Enel Green Power International BV	1.2	-	-	-	-	-
- Enel Green Power Portoscuso Srl	0.1	-	-	-	-	-
- Enel Green Power Romania Srl	0.2	-	-	-	-	-
- Enel Green Power SpA	90.0	18.0	-	-	-	27.1
- Enel Green Power Latin America BV	3.8	-	-	-	-	-
- Enel Green Power North America Inc.	0.9	0.6	-	1.0	-	0.2
- Enel Ingegneria e Innovazione SpA	26.4	9.9	-	33.2	-	7.0
- Enel Investment Holding BV	2.9	-	-	-	-	1.4
- Enel M@p Srl	0.1	0.2	-	-	-	0.1
- Enel Maritza East 3 AD ⁽²⁾	-	-	-	0.6	-	0.8
- Enel OGK-5 OJSC	12.8	0.7	-	0.7	-	5.4
- Enel Produzione SpA	159.6	143.9	-	0.8	-	60.7
- Enel Romania Srl	7.5	0.1	-	0.1	-	1.8
- Enel Rus LLC	-	-	-	0.1	-	-
- Enel Servicii Comune SA	3.2	0.2	-	0.3	-	0.4
- Enel Servizi Srl	54.6	60.1	0.2	57.5	-	9.6
- Enel Servizio Elettrico SpA	19.6	83.7	-	-	-	12.1
- Enel Sole Srl	5.5	1.6	-	0.1	-	6.0
- Enel Trade SpA	5.4	61.2	7.3	0.5	-	6.6

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
			at Dec. 31, 2011		2011	
Subsidiaries:						
- Enel Unión Fenosa Renovables SA	1.9	-	-	-	-	-
- Enel.Factor SpA	0.1	6.0	-	-	-	0.3
- Enel.NewHydro Srl	0.1	0.3	-	-	-	0.1
- Enel.si Srl	19.2	0.2	-	-	-	2.5
- Enelco SA	-	-	-	-	-	(0.2)
- Enelpower SpA	2.4	1.7	-	-	-	0.2
- GENGESA	0.5	-	-	-	-	2.9
- GENUNELCO	9.4	-	-	-	-	5.3
- Marcinelle Energie SA	0.6	-	-	-	-	0.3
- Nuove Energie Srl	0.1	-	-	-	-	0.1
- RusenErgoSbyt LLC	0.1	-	-	-	-	-
- Slovenské elektrárne AS	33.1	0.9	-	1.6	-	12.0
- Sviluppo Nucleare Italia Srl	-	-	-	-	-	3.0
- Vallenergie SpA ⁽¹⁾	-	-	-	-	-	0.1
Total	892.1	435.4	7.5	111.9	-	362.1
Other related parties:						
- Single Buyer	71.9	-	-	-	373.2	-
- Bain & Company Italy Inc.	-	-	-	0.3	-	-
- Booz & Company Italia	-	-	-	0.1	-	-
- Enel Cuore Onlus	-	-	-	-	0.3	-
- Fondenel	0.3	-	-	-	0.2	-
- EMO	0.3	9.0	13.3	12.1	1.2	-
- ESO	0.9	0.7	-	-	-	-
- Politecnico di Milano	-	0.1	-	0.1	-	-
- Poste Italiane	0.1	-	-	-	-	-
- Terna	0.5	0.1	-	-	0.3	-
Total	74.0	9.9	13.3	12.6	375.2	-
TOTAL	966.1	445.3	20.8	124.5	375.2	362.1

(1) Until disposal on November 30, 2011.

(2) Until disposal on June 28, 2011.

Financial relationships

2012

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
	at Dec. 31, 2012			2012		
Subsidiaries:						
- Concert Srl	1.1	-	-	-	-	-
- Enel Distribuzione SpA	202.1	1,647.9	4,536.3	0.4	106.8	3,007.7
- Enel Energia SpA	726.2	-	766.8	-	11.6	-
- Enel Energy Europe SL	663.8	-	-	-	13.8	-
- Enel Finance International NV	417.2	4,219.2	30,872.9	169.1	589.1	-
- Enel France Sas	0.2	-	70.1	-	0.2	-
- Enel Green Power International BV	7.9	-	-	1.2	10.2	-
- Enel Green Power North America Inc.	0.2	-	42.3	0.9	2.7	-
- Enel Green Power Portoscuso Srl	0.2	-	-	-	-	-
- Enel Green Power Romania SpA	-	-	0.1	0.3	0.9	-
- Enel Green Power SpA	652.9	-	1,456.2	0.1	32.5	84.7
- Enel Ingegneria e Ricerca SpA	9.4	0.1	70.2	0.1	0.5	-
- Enel Investment Holding BV	75.4	-	311.4	-	9.5	-
- Enel Longanesi Developments Srl	20.3	-	-	-	0.3	-
- Enel M@p Srl	-	1.5	10.1	-	-	-
- Enel Produzione SpA	1,403.8	13.3	2,863.3	30.8	212.7	788.6
- Enel Insurance NV	-	0.2	-	-	-	-
- Enel Servizi Srl	102.7	124.4	25.4	0.5	7.9	29.8
- Enel Servizio Elettrico SpA	10.1	997.1	1,522.8	1.3	10.2	-
- Enel Sole Srl	116.4	-	107.5	-	2.4	-
- Enel Stocaggi Srl	0.2	-	-	-	-	-
- Enel Trade Romania Srl	0.1	-	15.9	0.1	0.2	-
- Enel Trade SpA	1,678.8	83.7	1,583.0	149.5	176.6	25.5
- Enel.Factor SpA	271.5	-	-	-	3.3	4.0
- Enel.NewHydro Srl	0.1	11.1	5.9	-	0.1	-
- Enel.si Srl	0.1	-	0.6	0.1	-	-
- Enelpower SpA	-	42.1	3.9	0.2	-	-
- Energy Hydro Piave Srl	0.2	-	-	-	-	-
- Hydro Dolomiti Enel Srl	-	-	-	-	0.3	-
- Impulsora Nacional de Eletricidad Srl de Cv	-	-	-	-	0.3	-
- Marcinelle Energie SA	0.2	-	-	-	-	-
- Nuove Energie Srl	33.6	-	85.8	-	0.7	-
- Pragma Energy SA	-	4.8	-	-	-	-
- Renovables de Guatemala SA	-	-	-	0.2	0.2	-
- SE Hydropower Srl	23.3	-	-	-	0.4	-
- Sviluppo Nucleare Italia Srl	2.1	-	0.5	-	-	-
Total	6,420.1	7,145.4	44,351.0	354.8	1,193.4	3,940.3
Other related parties:						
- Emittenti Titoli SpA	-	-	-	-	-	0.1
- Terna	-	-	-	-	-	-
Total	-	-	-	-	-	0.1
TOTAL	6,420.1	7,145.4	44,351.0	354.8	1,193.4	3,940.4

2011

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

(1) Until disposal on November 30, 2011.

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

Impact on balance sheet

Millions of euro	at Dec. 31, 2012			at Dec. 31, 2011		
	Total	Related parties	% of total	Total	Related parties	% of total
Assets						
Non-current financial assets	1,835.1	810.9	44.2%	2,080.3	608.6	29.3%
Other non-current assets	449.0	207.0	46.1%	262.1	219.4	83.7%
Trade receivables	477.8	470.3	98.4%	573.5	565.7	98.6%
Current financial assets	6,443.2	5,609.2	87.1%	9,667.9	8,647.7	89.4%
Other current assets	262.7	161.2	61.4%	244.2	181.0	74.1%
Liabilities						
Long-term loans	19,314.8	2,500.0	12.9%	18,082.8	2,500.0	13.8%
Non-current financial liabilities	2,392.7	368.0	15.4%	2,575.0	844.3	32.8%
Other non-current liabilities	240.2	239.0	99.5%	41.1	41.1	100.0%
Short-term loans	4,952.6	4,127.1	83.3%	2,471.8	1,193.3	48.3%
Current portion of long-term loans	808.9	-	-	4,113.3	-	-
Trade payables	193.4	67.7	35.0%	328.6	119.9	36.5%
Current financial liabilities	798.2	150.3	18.8%	1,031.3	442.0	42.9%
Other current liabilities	676.8	282.7	41.8%	753.7	284.3	37.7%

Impact on income statement

Millions of euro	2012			2011		
	Total	Related parties	% of total	Total	Related parties	% of total
Revenues	334.6	333.1	99.6%	761.8	737.3	96.8%
Electricity purchases and consumables	2.1	0.9	42.9%	360.8	20.8	5.8%
Services and other operating expenses	416.2	86.9	20.9%	463.6	124.5	26.9%
Income from equity investments	4,174.7	3,940.4	94.4%	3,222.9	3,222.9	100.0%
Financial income	1,600.2	1,193.4	74.6%	2,826.3	1,351.7	47.8%
Financial expense	2,446.3	354.8	14.5%	3,698.4	1,819.5	49.2%

Impact on cash flows

Millions of euro	2012			2011		
	Total	Related parties	% of total	Total	Related parties	% of total
Cash flows from operating activities	3,208.0	(752.9)	-23.5%	2,477.4	460.8	18.6%
Cash flows from investing/disinvesting activities	(466.7)	(747.0)	160.1%	(7.5)	(44.8)	597.3%
Cash flows from financing activities	1,887.3	6,026.6	319.3%	(2,754.9)	(364.8)	13.2%

31. Stock incentive plans

Between 2000 and 2008, Enel implemented stock incentive plans (stock option plans and restricted share units plans) each year in order to give the Enel Group – in line with international business practice and the leading Italian listed companies – a means for fostering management motivation and loyalty, strengthening a sense of corporate team spirit in our key personnel, and ensuring their enduring and constant effort to create value, thus creating a convergence of interests between shareholders and management.

The remainder of this section describes the features of the stock incentive plans adopted by Enel and still in place in 2012.

2008 stock option plan

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

Beneficiaries

The beneficiaries of the plan – who include the CEO in his capacity as General Manager – comprise the small number of managers who represent the first reporting line of top management. The head of the Infrastructure and Networks Division does not participate but has received other incentives linked to specific objectives regarding the Division's business area. The exclusion was motivated by the obligation for Enel – connected with the full liberalization of the electricity sector as from July 1, 2007 – to implement administrative and accounting unbundling so as to separate the activities included in the Infrastructure and Networks Division from those of the Group's other business areas.

The beneficiaries have been divided into two brackets (the first includes only the CEO of Enel in his capacity as General Manager) and the basic number of options granted to each has been determined on the basis of their gross annual compensation and the strategic importance of their positions, as well as the price of Enel shares at the start of the period covered by the plan (January 2, 2008).

Exercise conditions

The right to subscribe the shares was subordinate to the condition that the executives concerned remain employed within the Group, with a few exceptions (such as, for example, termination of employment because of retirement or permanent invalidity, exit from the Group of the company at which the executive is employed, and succession) specifically governed by the Regulations.

The vesting of the options is subject to achievement of two operational objectives, both calculated on a consolidated, three-year basis: (i) earnings per share (EPS, equal to Group net income divided by the number of Enel shares in circulation) for the 2008-2010 period, determined on the basis of the amounts specified in the budgets for those years and (ii) the return on average capital employed (ROACE, equal to the ratio between operating income and average net capital employed) for the 2008–2010 period, also determined on the basis of the amounts specified in the budgets for those years. Depending on the degree to which the objectives are achieved, the number of options that can actually be exercised by each beneficiary is determined on the basis of a performance scale established by the Enel Board and may vary up or down with respect to the basic option grant by a percentage amount of between 0% and 120%.

Exercise procedures

Once achievement of the operational objectives has been verified, the options can be exercised as from the third year after the grant year and up to the sixth year as from the grant year. The options can be exercised at any time, with the exception of two blocking periods lasting about one month before the approval of the draft annual financial statements of Enel SpA and the half-year report by the Board of Directors.

Strike price

The strike price was originally set at €8.075, equal to the reference price for Enel shares observed on the electronic stock exchange of Borsa Italiana on January 2, 2008. The strike price was modified by the Board of Directors on July 9, 2009 - which set it at €7.118 – in order to take account of the capital increase completed by Enel that month and

the impact that it had on the market price of Enel shares. Subscription of the shares is charged entirely to the beneficiaries, as the plan does not provide for any facilitated terms to be granted in this respect.

Shares serving the plan

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

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

Total options granted	Number of beneficiaries	Strike price	Verification of plan conditions	Options exercised at Dec. 31, 2011	Options lapsed at Dec. 31, 2011	Options lapsed in 2012	Options outstanding at Dec. 31, 2012
8,019,779 ⁽¹⁾	16 Group executives	€8.075 ⁽²⁾	Rights vested	None	None	None	9,623,735

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

(2) The strike price was changed to €7.118 as from July 9, 2009 in order to take account of the impact of the capital increase completed by Enel that month on the market price of Enel shares.

Developments in the plan

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

Payment of a bonus connected with the portion of the dividends attributable to asset disposals, to be made in conjunction with the exercise of stock options

In March 2004, the Board of Directors voted to grant a special bonus, beginning in 2004, to the beneficiaries of the various stock option plans who exercise the options granted to them, establishing that the amount is to be determined each time by the Board itself when it adopts resolutions concerning the allocation of earnings and is based on the portion of the "disposal dividends" (as defined below) distributed after the granting of the options.

The rationale underlying this initiative is that the portion of dividends attributable to extraordinary transactions regarding the disposal of property and/or financial assets ("disposal dividends") should be considered a form of return to shareholders of part of the value of the Company, and as such capable of affecting the performance of the shares.

The beneficiaries of the bonus are thus the beneficiaries of the stock option plans who – either because they choose to do so or because of the restrictions imposed by the exercise conditions or the vesting periods – exercise their options

after the ex-dividend date of the "disposal dividends" and therefore could be penalized. The bonus is not paid, however, for the portion of other kinds of dividends, such as those generated by ordinary business activities or reimbursements associated with regulatory measures.

Essentially, when beneficiaries of the stock option plans have exercised the options granted to them, as from 2004 they have been entitled to receive a sum equal to the "disposal dividends" distributed by Enel after the options have been granted but before they have been exercised. The bonus will be paid by the company of the Group that employs the beneficiary and is subject to ordinary taxation as income from employment.

Under these rules, to date the Board of Directors has approved: (i) a bonus amounting to €0.08 per option exercised, with regard to the dividend (for 2003) of €0.36 per share payable as from June 24, 2004; (ii) a bonus amounting to €0.33 per option exercised, with regard to the interim dividend (for 2004) of the same amount per share payable as from November 25, 2004; (iii) a bonus amounting to €0.02 per option exercised, with regard to the balance of the dividend (for 2004) of €0.36 per share payable as from June 23, 2005; and (iv) a bonus amounting to €0.19 per option exercised, with regard to the interim dividend (for 2005) of the same amount per share payable as from November 24, 2005.

It should be noted that the overall dilution of share capital as of December 31, 2012 attributable to the exercise of the stock options granted under the various plans amounts to 1.31% (taking account of share capital after the capital in-

crease carried out by the Company in June 2009) and that further developments in the plans could, in theory, increase the dilution up to a maximum of 1.41%.

The following table summarizes developments over the course of 2010, 2011 and 2012 in the Enel stock option plans, detailing the main assumptions used in calculating their fair value.

Number of options	2008 plan	Total
Option granted at December 31, 2010	8,019,779 ⁽¹⁾	8,019,779
Options exercised at December 31, 2010	-	-
Options lapsed at December 31, 2010	-	-
Options outstanding at December 31, 2010	8,019,779 ⁽¹⁾	8,019,779
Options lapsed in 2011	-	-
Options outstanding at December 31, 2011	9,623,735 ⁽²⁾	9,623,735
Options lapsed in 2012	-	-
Options outstanding at December 31, 2012	9,623,735 ⁽²⁾	9,623,735
Fair value at grant date (euro)	0.17	
Volatility	21%	
Option expiry	December 2014	

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

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

Restricted share units plan 2008

In June 2008 Enel's Ordinary Shareholders' Meeting approved an additional incentive mechanism, a restricted share units plan. The plan – which is also linked to the performance of Enel shares – differs from the stock option plans in that it does not involve the issue of new shares and therefore has no diluting effect on share capital. It grants the beneficiaries rights to receive the payment of a sum equal to the product of the number of units exercised and the average value of Enel shares in the month preceding the exercise of the units.

Beneficiaries

The plan covers the management of the Enel Group (including the managers already participating in the 2008 stock option plan, which includes the Enel CEO in his capacity as General Manager), with the exception of the managers of the Infrastructure and Networks Division for the reasons discussed with the 2008 stock option plan.

The beneficiaries have been divided into brackets and the

basic number of units granted to each has been determined on the basis of the average gross annual compensation of the bracket, as well as the price of Enel shares at the start of the period covered by the plan (January 2, 2008).

Exercise conditions

Exercise of the units – and the consequent receipt of the payment – is subordinate to the condition that the executives concerned remain employed within the Group, with a few exceptions (such as, for example, termination of employment because of retirement or permanent invalidity, exit of the company at which the beneficiary is employed from the Group or inheritance) specifically governed by the Regulations.

As regards other exercise conditions, the plan first establishes a suspensory operational objective (a "hurdle target"): (i) for the first 50% of the basic number of units granted, Group EBITDA for 2008–2009, calculated on the basis of the amounts specified in the budgets for those

years; and (ii) for the remaining 50% of the basic number of units granted, Group EBITDA for 2008–2010, calculated on the basis of the amounts specified in the budgets for those years.

If the hurdle target is achieved, the actual number of units that can be exercised by each beneficiary is determined on the basis of a performance objective represented by:

- (i) for the first 50% of the basic number of units granted, a comparison on a total shareholders' return basis – for the period from January 1, 2008 to December 31, 2009 – between the performance of ordinary Enel shares on the electronic stock exchange of Borsa Italiana SpA and that of a specific benchmark index calculated as the average of the performance of the MIBtel index (weight: 50%) – replaced with the FTSE Italia All Share index after an analogous substitution by Borsa Italiana in 2009 – and the Bloomberg World Electric Index (weight: 50%); and
- (ii) for the remaining 50% of the basic number of units granted, a comparison on a total shareholders' return basis – for the period from January 1, 2008 to December 31, 2010 – between the performance of ordinary Enel shares on the electronic stock exchange of Borsa Italiana SpA and the benchmark index calculated as the average of the performance of the MIBtel index (weight: 50%) – replaced in 2009 with the FTSE Italia All Share index as indicated above – and the Bloomberg World Electric Index (weight: 50%);

The number that can be exercised may vary up or down with respect to the basic unit grant by a percentage amount of between 0% and 120% as determined on the basis of a specific performance scale.

If the hurdle target is not achieved in the first two-year period, the first tranche of 50% of the units granted may be recovered if the same hurdle target is achieved over the longer three-year period indicated above. It is also possible to extend the validity of the performance level registered in the 2008-2010 period to the 2008-2009 period, where performance was higher in the longer period, with the consequent recovery of units that did not actually vest in the first two-year period because of the lower performance level and on the condition

that the first 50% of the basic unit grant has not yet been exercised.

Exercise procedures

Once achievement of the hurdle target and the performance objectives has been verified, of the total number of units granted, 50% may be exercised as from the second year subsequent to the grant year and the remaining 50% as from the third year subsequent to the grant year, with the deadline for exercising all the units being the sixth year subsequent to the grant year.

In any event, each year the units can only be exercised during four time windows of ten business days each (to be announced by Enel over the course of the plan) in the months of January, April, July and October.

Developments in the 2008 restricted share units plan

The review conducted by the Board of Directors to verify satisfaction of the exercise conditions found the following. For the first 50% of the units granted, in 2008-2009 the hurdle target for Group EBITDA had been achieved and Enel shares had slightly outperformed the benchmark index, meaning that according to the performance scale 100% of the units originally granted had vested.

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

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

The following table reports developments in the 2008 RSU plan.

Number of RSU	2008 plan
RSU outstanding at December 31, 2010	1,527,706
<i>of which vested at December 31, 2010</i>	<i>1,527,706</i>
RSU lapsed in 2011	10,500
RSU exercised in 2011	1,159,460
RSU outstanding at December 31, 2011	357,746
<i>of which vested at December 31, 2011</i>	<i>357,746</i>
RSU lapsed in 2012	-
RSU exercised in 2012	103,432
RSU outstanding at December 31, 2012	254,314
<i>of which vested at December 31, 2012</i>	<i>254,314</i>
Fair value at the grant date (euro)	3.16
Fair value at December 31, 2012 (euro)	3.653
Expiry of the restricted share units	December 2014

32. Contractual commitments and guarantees

Millions of euro

	at Dec. 31, 2012	at Dec. 31, 2011	Change
Sureties and other guarantees granted to:			
- third parties	469.8	516.6	(46.8)
- subsidiaries	44,351.0	37,073.2	7,277.8
- associates and others	5.9	8.8	(2.9)
Total	44,826.7	37,598.6	7,228.1

Sureties granted to third parties regard guarantees issued by the Parent Company as part of the disposal to third parties of assets owned by Enel SpA or in the interest of its subsidiaries and they regard:

- > €469.4 million in guarantees relating to the sale of real estate assets, in connection with the regulations that govern the termination of leases and the related payments for a period of six years and six months from July 2004. The value of both guarantees is reduced annually by a specified amount.

Sureties issued on behalf of subsidiaries include:

- > €21,104 million issued on behalf of Enel Finance International securing bonds denominated in dollars, pounds, euros and yen as part of the €30 billion Global Medium-Term Notes program;
- > €6,000 million issued on behalf of Enel Finance International securing an Euro Commercial Paper program;
- > €3,550 million issued on behalf of Enel Finance International securing drawings on the Term Loan Facility Agreement;
- > €3,180 million issued to the European Investment Bank (EIB) for loans granted to Enel Distribuzione, Enel Produzione and Enel Green Power SpA;
- > €1,456 million issued to the tax authorities in respect of participation in the Group VAT procedure on behalf of Enel New.Hydro, Enel Produzione, Enelpower, Enel Servizio Elettrico, Nuove Energie, Enel Ingegneria e Ricerca, Enel M@p, Enel.si and Enel Green Power Portoscuso;
- > €1,441 million issued by Enel SpA to the Single Buyer on behalf of Enel Servizio Elettrico SpA for obligations under the electricity purchase contract;
- > €1,407 million in favor of Cassa Depositi e Prestiti issued on behalf of Enel Distribuzione, which received the Enel Grid Efficiency II loan;
- > €1,365 million issued as counter-guarantees in favor of the banks that guaranteed Enel Distribuzione and Enel Produzione for loans granted by the EIB;

- > €878 million issued as counter-guarantees in favor of the banks that guaranteed the Energy Markets Operator on behalf of Enel Trade and Enel Produzione;
- > €219 million issued on behalf of Enel Finance International securing the Rollover Facility Agreement;
- > €363 million issued in favor of Terna on behalf of Enel Distribuzione, Enel Trade, Enel Produzione and Enel Energia in respect of agreements for the electricity transmission service;
- > €375 million issued in favor of Snam Rete Gas on behalf of Enel Trade for gas transport capacity;
- > €300 million guarantee issued to financial counterparties on behalf of Enel Investment Holding securing bonds as part of the €30 billion Global Medium-Term Notes program;
- > €50 million issued to E.ON on behalf of Enel Trade for trading on the electricity market;
- > €34 million issued to BHP Billiton Marketing AG on behalf of Enel Trade for coal purchases in South Africa;
- > €32 million issued to Wingas GmbH & CO.KG on behalf of Enel Trade for the supply of gas;
- > €30 million issued to RWE Supply & Trading Netherlands BV on behalf of Enel Trade electricity purchases;
- > €11 million issued in favor of Duferco Diversification on behalf of Enel Investment Holding under the share purchase agreement in respect of the acquisition of Marcinelle Energie;
- > €2,551 million issued to various beneficiaries as part of financial support activities by the Parent Company on behalf of subsidiaries, as well as €5 million issued on behalf of Enel New.Hydro as part of the disposal of the Ismes business unit.

In its capacity as the Parent Company, Enel SpA has also granted letters of patronage to a number of Group companies, essentially for assignments of receivables.

33. Contingent liabilities and assets

Out-of-court disputes and litigation connected with the blackout of September 28, 2003

In the wake of the blackout that occurred on September 28, 2003, numerous claims were filed against Enel Distribuzione for automatic and other indemnities for losses. These claims gave rise to substantial litigation before justices of the peace, mainly in the regions of Calabria, Campania and Basilicata, with a total of some 120,000 proceedings. Charges in respect of such indemnities could be recovered in part under existing insurance policies. Most of the initial rulings by these judges found in favor of the plaintiffs, while appellate courts have nearly all found in favor of Enel Distribuzione. The Court of Cassation has also consistently ruled in favor of Enel Distribuzione. Currently, pending cases number about 37,000 due to Court decisions as well as abandonment of suits by the plaintiffs or joinder of proceedings. In addition, in view of the

rulings in Enel's favor by both the courts of appeal and the Court of Cassation, the flow of new claims has come to a halt. During 2012, a number of actions for recovery were initiated and settlements reached to obtain repayment of amounts paid by Enel in execution of the rulings in the courts of first instance.

In May 2008, Enel served its insurance company (Cattolica) a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings. The case now also involves a number of reinsurance companies in the proceedings, which have challenged Enel's claim. The suit will be heard before the Court of Rome at the hearing of June 6, 2013, for submission of final pleadings.

BEG litigation

Following an arbitration proceeding initiated by BEG in Italy, Enelpower obtained a ruling in its favor in 2002, which was upheld by the Court of Cassation in 2010, which entirely rejected the complaint with regard to alleged breach by Enelpower of an agreement concerning the construction of a hydroelectric power station in Albania.

Subsequently, BEG, acting through its subsidiary Albania BEG Ambient, filed suit against Enelpower and Enel SpA in Albania concerning the matter, obtaining a ruling, upheld by the Albanian Supreme Court of Appeal, ordering Enelpower and Enel to pay tortious damages of about €25 million for 2004 as well as an unspecified amount of tortious damages for subsequent years. Following the ruling, Albania BEG Ambient demanded payment of more than €430 million, a request that Enelpower and Enel rejected, vigorously contesting its legitimacy and filing a request in Albania for revocation of the ruling for conflict with the ruling of the Italian Court of Cassation.

As the Albanian Court of Cassation upheld the ruling of the court of first instance, the Enel Group companies then filed an appeal with the European Court of Human Rights for violation of the right to a fair trial and the rule of law, asking the Court to order the Republic of Albania to pay damages for financial and non-financial losses incurred

by Enel and Enelpower. That suit is pending.

In addition, in 2012, Albania BEG Ambient filed suit against Enel and Enelpower with the Tribunal de Grande Instance in Paris in order to render the ruling of the Albanian court enforceable in France. Enel and Enelpower have challenged the suit.

The next hearing is scheduled for June 19, 2013. Subsequently, again at the initiative of BEG Ambient, Enel France was served with two "*Saise Conservatoire de Créances*" (orders for the precautionary attachment of receivables) to conserve any receivables of Enel SpA in respect of Enel France.

Furthermore, proceedings continue in the suit lodged by Enelpower and Enel SpA with the Court of Rome asking the Court to ascertain the liability of BEG for having evaded compliance with the arbitration ruling issued in Italy in favor of Enelpower, through the legal action taken by Albania BEG Ambient in Albania. With this action, Enelpower and Enel are asking the Court to find BEG liable and order it to pay damages in the amount that one or the other could be required to pay to Albania BEG Ambient in the event of the enforcement of the sentence issued by the Albanian courts. The next hearing is scheduled for April 23, 2013.

34. Subsequent events

Agreement signed for 5-year forward starting revolving credit facility of about €9.4 billion

On February 11, 2013, Enel SpA signed in Amsterdam a 5-year revolving credit facility amounting to about €9.4 billion, which will replace the €10 billion revolving credit facility (currently not drawn) scheduled to expire in April 2015.

The new revolving credit line is "forward starting", meaning that it may be used starting from the expiry date of the €10 billion revolving credit facility noted above or, before that date, in concomitance with any early cancellation of the latter by Enel.

The new forward starting revolving credit line, which may be used by Enel and/or its Dutch subsidiary Enel Finance Interna-

tional NV (with a Parent Company guarantee), is intended to give the Group's treasury operations a highly flexible instrument to manage working capital. Accordingly, the credit facility is not part of Enel's debt refinancing program.

The cost of the new credit line will vary in relation to Enel SpA's credit rating. At the current rating level, it is equal to a spread of 170 basis points over Euribor, with commitment fees of 40% of the applicable spread.

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

Fees paid in 2012 to the auditing firm and entities belonging to its network for services are summarized in the following table, pursuant to the provisions of Article 149-duodecies of the CONSOB "Issuers Regulation".

Type of service	Entity providing the service	Fees (millions of euro)
Enel SpA		
Auditing	<i>of which:</i>	
	Reconta Ernst & Young SpA	0.3
	Entities of E&Y network	-
Certification services	<i>of which:</i>	
	Reconta Ernst & Young SpA	0.5
	Entities of E&Y network	-
Total		0.8
Subsidiaries of Enel SpA		
Auditing	<i>of which:</i>	
	Reconta Ernst & Young SpA	1.9
	Entities of E&Y network	6.3
Certification services	<i>of which:</i>	
	Reconta Ernst & Young SpA	0.5
	Entities of E&Y network	0.6
Total		9.3
TOTAL		10.1

Reliability

Corporate
governance

Report on corporate governance and ownership structure

Section I: Governance and ownership structure

Introduction

The corporate governance structure of Enel SpA (hereinafter, also “Enel” or the “Company”) and of its corporate group (hereinafter, in short, the “Enel Group” or the “Group”) complies with the principles set forth in the edition of the Corporate Governance Code for listed companies ⁽¹⁾ (hereinafter, in short, the “Corporate Governance Code”) adopted by the Company.

Furthermore, the aforementioned corporate governance structure is inspired by CONSOB’s recommendations on this matter and, more generally, international best practice.

In December 2012, Enel’s Board of Directors resolved to implement the recommendations set forth in the edition of the Corporate Governance Code published in December 2011 (drafted by the Corporate Governance Committee promoted by ABI, Ania, Assogestioni, Assonime,

Borsa Italiana and Confindustria), in compliance with the timetable provided for under the applicable transitional legal framework. Until such date, in 2012, the Company’s and the Group’s corporate governance system was in line with the recommendations set forth in the edition of the Corporate Governance Code published in the month of March 2006 (and drafted by the Corporate Governance Committee promoted by Borsa Italiana), as well as with the amendments on directors’ compensation made to Article 7 of the same Code in the month of March 2010.

The corporate governance system adopted by Enel and its Group is essentially aimed at creating value for the shareholders over the medium-long term, taking into account the social importance of the Group’s business operations and the consequent need, in conducting such operations, to adequately consider all the interests involved.

Ownership structure

Share capital structure

The Company’s share capital consists exclusively of ordinary shares with full voting rights at both Ordinary and Extraordinary Shareholders’ Meetings. At the end of 2012 (and as of the date of this report), Enel’s share capital amounted to Euro 9,403,357,795, comprised of the same number of ordinary shares having a par value of Euro 1 each, which are listed on the Electronic Stock Exchange organized and managed by Borsa Italiana.

Major shareholdings and shareholders’ agreements

Based upon the entries in Enel’s shareholders’ ledger, reports made to CONSOB and received by the Company, and other available information, as of the date of this report, none of the Company’s shareholders holds a stake exceeding 2% of the Company’s share capital, with the exception of the Ministry for the Economy and Finance of the Italian Republic (which owns 31.24% of the share capital), and the group controlled by BlackRock Inc. (which owns

(1) The code is available in its various editions on Borsa Italiana’s website (at <http://www.borsaitaliana.it>).

3.33%, held as of November 8, 2012 under an asset management arrangement) nor, to the Company's knowledge, do any of the shareholders' agreements referred to in the Consolidated Financial Act exist with regard to Enel's shares. It shall be noted that in the month of January 2012 Natixis SA temporarily resulted holding a stake slightly higher than the 2% of Enel's share capital.

The Company is therefore subject to the *de facto* control of the Ministry for the Economy and Finance, which has sufficient votes to exercise a dominant influence at Enel's Ordinary Shareholders' Meetings. However, the above-mentioned Ministry is not in any way involved in managing and coordinating the Company, since the Company makes its management decisions on a fully independent basis in accordance with the structure of duties and responsibilities assigned to its corporate bodies. The foregoing is confirmed by Article 19, paragraph 6, of Decree Law 78/2009 (subsequently converted into Law 102/2009), which clarified that the regulations contained in the Italian Civil Code regarding the management and coordination of companies do not apply to the Italian government.

Limit on the ownership of shares and voting rights

In implementing the provisions of the legal framework on privatizations, the Company's bylaws provide that with the exception of the government, public bodies, and parties subject to their respective control, no shareholder may own, directly or indirectly, Enel shares representing more than 3% of its share capital.

The voting rights attaching to the shares owned in excess of the aforesaid limit of 3% may not be exercised, and the voting rights to which each of the parties affected by the limit on share ownership would have been entitled will be proportionately reduced, unless there are prior joint instructions from the shareholders involved. In the event of non-compliance, resolutions passed by Shareholders' Meetings may be challenged in court if it is found that the majority required would not have been attained without the votes expressed in excess of the above-mentioned limit.

Under the legal framework on privatizations, as subsequently amended, the provisions of the bylaws concerning the limit on share ownership and voting rights will lapse if the 3% limit is exceeded following a takeover bid, following which the bidder holds shares representing at

least 75% of the capital with the right to vote on resolutions regarding the appointment and removal of directors.

Special powers of the Italian government

In implementing the provisions of the legal framework on privatizations, the Company's bylaws assign to the Italian government (represented for this purpose by the Ministry for the Economy and Finance) certain special powers, which are exercisable regardless of the number of shares owned by the aforesaid Ministry.

Specifically, the Minister for the Economy and Finance, in agreement with the Minister for Productive Activities (currently the Minister for Economic Development), has the following special powers, to be exercised in accordance with the criteria established by the Decree of the President of the Council of Ministers issued on June 10, 2004:

- a) the power to challenge the acquisition of significant shareholdings (or, in other words, shareholdings representing 3% or more of Enel's share capital) by parties to whom the aforesaid limit on share ownership applies. Grounds for the opposition must be given and the opposition may be expressed only in cases in which the Ministry considers the transaction to be effectively detrimental to vital national interests;
- b) the power to challenge the shareholders' agreements referred to in the Consolidated Financial Act if they concern 5% or more of Enel's share capital. In this case as well, grounds must be given for the opposition, which may be expressed only in cases in which the shareholders' agreements are liable to cause concrete detriment to vital national interests;
- c) veto on the adoption of resolutions liable to have a major impact on the Company (meaning resolutions to wind up, transfer, merge, or split up the Company or to move its headquarters abroad or to change its corporate purpose, as well as those aimed at abolishing or changing the content of the special powers). Grounds for the veto must in any case be given, and the veto may be exercised only in cases in which such resolutions are liable to cause concrete detriment to vital national interests;
- d) appointment of a director without voting rights (and of the related substitute in case he or she should cease to hold office).

It should be noted that on March 26, 2009, the European

Court of Justice declared that, by adopting the provisions of Article 1, paragraph 2, of the aforesaid Decree of the President of the Council of Ministers issued on June 10, 2004 containing the criteria for exercising the special powers, Italy failed to meet its obligations under Articles 43 (*freedom of establishment*) and 56 (*free circulation of capital*) of the Treaty on the establishment of the European Community.

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

In order to ensure that Italian laws regarding the Italian Government’s special powers in privatized companies fully comply with EU principles, a new legal framework on this matter has been recently prepared and is meant to replace the provisions described above. In fact, Decree Law 21/2012 (converted with amendment by Law 56/2012) sets forth new rules on special powers on the governance structures of companies operating in defense and national security sectors, as well as companies which operate in the energy, transportation and communications sectors.

In particular, to the extent it concerns to Enel, Article 2 of such Decree provides, first and foremost, that the networks, plants, assets and interests of national strategic importance in the energy, transportation and communications sectors shall be identified by means of one or more regulations to be enacted through a Decree of the President of the Republic. Such regulations shall be updated at least every three years.

It is therefore envisaged that any resolutions, acts or transactions, adopted by a company which has one or more of the above-mentioned assets and that may result in changes in the ownership, control or availability of the same assets or that may modify their use, shall be notified by

the company to the Presidency of the Council of Ministers within 10 days and, in any case, before their execution. Resolutions concerning the transfer of subsidiaries which own such assets shall be notified within the same term. Within 15 days from the notification, the President of the Council of Ministers, through a Decree passed with a conforming resolution by the Council of Ministers: (i) may exercise its veto whenever the resolutions, acts or transactions may give rise to an extraordinary situation that is not governed by national and European laws applicable to the sector, involving a threat of serious prejudice for public interests regarding the safety and the functioning of networks and plants as well as the continuity of supply; or (ii) may provide for specific conditions whenever it deems such conditions are sufficient to protect such public interests.

If the President of the Council of Ministers has not passed any measures within 15 days of the notification date, the aforementioned resolutions, acts or transactions shall become effective.

Furthermore, it is provided that any acquisition by a non-EU person, of any nature and for any reason, of controlling shareholdings in companies having assets identified as strategic shall be notified to the Presidency of the Council of Ministers within 10 days. In the event that such purchase represents a real threat of serious prejudice for the above-mentioned public interests, within 15 days from the notification, the President of the Council of Ministers, through a Decree adopted in accordance with a related resolution passed by the Council of Ministers: (i) may impose a condition precedent upon the purchase, whereby the purchaser shall undertake certain commitments aimed at protecting the above-mentioned public interests; or (ii) may oppose the purchase in cases of extraordinary risk for the protection of such interests, which cannot be eliminated through the foregoing commitments. Upon the expiry of 15 days from the notification date, the purchase may be executed, if no measures have been passed by the President of the Council of Ministers by such date.

Article 2 of Decree Law 21/2012 also provides that the special powers set forth under the same Article may be exercised only on the basis of objective and non-discriminatory criteria, with particular regard to: (i) the existence, also taking into consideration the official position of the European Union, of objective reasons which suggest the possible existence of links between the purchaser and non-EU countries that do not recognize the principles of democracy or of the rule of law (*Stato di diritto*), that do not respect the rules of international law or that have en-

gaged in risky behaviors vis-à-vis the international community inferred from the nature of their alliances, or that have relationships with terrorist or criminal organizations or with persons otherwise related to them; (ii) the capacity of the structure resulting from the act or the transaction – taking into account the financing modalities of the acquisition, and the purchaser’s economic, financial, technical and organizational capacity – to guarantee the safety and continuity of the supplies and/or the maintenance, safety and the functioning of networks/grids and plants.

Article 3 of Decree Law 21/2012 provides, lastly, that starting from the date of entry into force of the Decrees of the President of the Republic that identify the strategic assets, Italian privatization laws (currently in force) would be automatically cancelled and the underlying provisions of Enel’s bylaws shall automatically cease to be effective.

However, pursuant to the same Decree Law 21/2012, the provisions of the Company’s bylaws concerning limits on the ownership of shares and voting rights (as well as the legal framework on privatizations), as described in the previous paragraph, shall remain effective.

Employee shareholdings: mechanism for exercising voting rights

The Consolidated Financial Act sets forth specific rules regarding voting proxies for listed companies, which partially deviate – for such companies – from the provisions set forth in the Civil Code and which were significantly amended following the implementation in Italy of Directive 2007/36/EC (on the exercise of certain rights of the shareholders of listed companies) by Legislative Decree 27 of January 27, 2010.

The foregoing specific rules govern the solicitation of proxies, which is defined as the request for proxies addressed to more than two hundred shareholders on specific voting proposals, or accompanied by recommendations, declarations and other indications capable of influencing the vote. However, the Consolidated Financial Act clarifies that the request for proxies accompanied by recommendations, declarations and other indications capable of influencing the vote, which is submitted by associations of shareholders to their affiliates – including those associations comprised of employee shareholders – shall not be considered a solicitation of proxies and, therefore, is not subject to the relevant specific legal framework provided that such associations comply with the specific requirements set forth in the Consolidated Financial

Act.

At the same time, the Consolidated Financial Act recommends that the bylaws of listed companies contain provisions aimed at simplifying the exercise of voting rights through proxy by employee shareholders, thus fostering their participation in the decision-making process at shareholders’ meetings.

In such respect, since 1999, Enel’s bylaws expressly provide that for purposes of simplifying the collection of proxies by the employee-shareholders of the Company and its subsidiaries, who are affiliated with shareholders’ associations which comply with the requirements imposed under applicable laws, areas for communication and for the collection of proxies shall be made available to such associations, pursuant to the terms and modalities to be agreed upon from time to time with their legal representatives.

In March 2008, the Company was informed of the establishment of an employee-shareholders’ association called *A.D.I.G.E. - Associazione Azionisti Dipendenti Gruppo Enel* (Association of Employee-Shareholders of Enel Group) which meets the requirements set forth in the Consolidated Financial Act and is subject to the above-mentioned bylaws provisions.

Appointment and replacement of directors and amendments of the bylaws

The rules that regulate the appointment and replacement of directors are examined in the second section of this document (under “Board of Directors – Appointment, replacement, composition, and term).

With regard to the rules applicable to amendments to the bylaws, extraordinary shareholders’ meetings resolve on the same, in accordance with the relevant majorities provided for by law.

As permitted by law, however, the Company’s bylaws assign to the Board of Directors’ authority on all resolutions concerning:

- > mergers by incorporation of wholly-owned or at least 90% owned companies, as well as de-mergers of such companies;
- > the establishment or closing of secondary offices/branches;
- > the selection of directors with powers to represent the Company;
- > the reduction of the share capital in the event that one or

- more shareholders should withdraw;
- > the harmonization of the bylaws with applicable provisions of law;
- > moving the registered office to a different location within Italy.

Furthermore, in implementing the provisions of the legal framework on privatizations, the Company's bylaws assign to the Italian government (represented for this purpose by the Ministry for the Economy and Finance) the special power of veto on the adoption of several resolutions – which are specified in detail in the foregoing paragraph entitled "Special powers of the Italian government" – liable to have a major impact on the Company and, at the same time, to entail the amendment of its bylaws.

Authorizations to increase the share capital and to buy back shares

As of the date of this report, there is outstanding an authorization for the Board of Directors to increase the share capital in order to service a stock option plan aimed at the Company's and Group's executives, with the consequent exclusion of the shareholders' preemptive rights.

In particular, on the basis of such authorization, in June 2008, the extraordinary session of the Shareholders' Meeting authorized the Board of Directors, for a period of five years, to increase the share capital one or more times, divisibly, by a maximum amount of €9,623,735 for the 2008 stock option plan, which had been approved by the ordinary session of the same Shareholders' Meeting, and in relation to which the Board of Directors later verified the achievement of the objectives upon which the exercise of the option rights was conditioned. It should be noted that the unit exercise price of the stock options assigned under the 2008 stock option plan is equal to €7.118, the term for exercise shall expire at the end of year 2014, and the amount authorized above could entail a potential maximum total dilution amounting to 0.10% of the share capital as recorded as of the date of this report. For a detailed description of the 2008 stock option plan, see the comments set forth in the Company's financial statements and Enel Group's consolidated financial statements for year 2012.

For the sake of thoroughness, it should be pointed out that the total actual dilution of the share capital as of the end of 2012 as a consequence of the exercise of the stock

options awarded through the plans preceding the above-mentioned plan amounts to 1.31%.

As of the date of this report, the Board of Directors has not been authorized either to issue financial instruments granting shareholdings or to buy back shares.

Change-of-control clauses

A) The Credit Agreement to finance the acquisition of Endesa shares

In order to finance the purchase of the shares of the Spanish company Endesa SA, as part of the takeover bid on the entire share capital of such company by Enel, its subsidiary Enel Energy Europe Srl and the Spanish companies Acciona SA and Finanzas Dos SA (the latter of which is controlled by Acciona SA), in April 2007, Enel and its subsidiary Enel Finance International SA (which subsequently merged into Enel Finance International NV) entered into a syndicated term and guarantee facility agreement (hereinafter, in short, the "Credit Agreement") with a pool of banks for a total amount of €35 billion. In April 2009, Enel and Enel Finance International negotiated with a pool of 12 banks an increase in the Credit Agreement for an additional €8 billion and an extension (with respect to the deadlines set forth in such Credit Agreement) of the term for the repayment of this additional sum, with the intention of financing the acquisition by the subsidiary Enel Energy Europe Srl of 25.01% of Endesa SA's share capital held by Acciona SA and Finanzas Dos SA. Specifically, it was agreed that of the additional Euro 8 billion obtained through the increase in the Credit Agreement, €5.5 billion may be paid back in 2014 and the remaining €2.5 billion in 2016. Following the acquisition by the subsidiary Enel Energy Europe Srl of 25.01% of Endesa SA's capital held by Acciona SA and Finanzas Dos SA, in June 2009, the aforesaid increase in the Credit Agreement, amounting to €8 billion, was used in its entirety. As of December 2012, following the repayments made, the remaining amount outstanding of the Credit Agreement (including the above-mentioned additional €8 billion) is equal to €617.5 million.

The Credit Agreement makes specific provisions for circumstances (hereinafter, for the sake of brevity, the "Change of control events") in which (i) control of Enel is acquired by one or more parties other than the Italian government or (ii) Enel or any of its subsidiaries contributes (including through mergers) a substantial portion of the assets of the Group to parties that are not part of the lat-

ter, such that the Group's creditworthiness is significantly compromised in the opinion of the pool of banks.

Specifically, if one of the aforesaid hypothetical change of control events should occur:

- > each bank belonging to the pool may propose to renegotiate the terms and conditions of the Credit Agreement or communicate its intention to withdraw from the agreement;
- > Enel and its subsidiary Enel Finance International may decide to repay the sums received early and to cancel, without incurring any penalties, the entire financial commitment assumed by each bank belonging to the pool (i) with which the renegotiation of the terms and conditions of the Credit Agreement has not been successful or (ii) that has notified its intention to withdraw from the agreement;
- > each of the latter banks belonging to the pool may demand the early repayment of the sums disbursed and the cancellation of the entire financial commitment undertaken;
- > in the event that none of the banks belonging to the pool either proposes to renegotiate the terms and conditions of the Credit Agreement or communicates its intention to withdraw from the contract, the Credit Agreement shall remain in full force and effect in accordance with the terms and conditions originally agreed.

B) The revolving credit facility agreement

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

Such agreement sets forth rules regarding possible changes of control and their consequences that are essentially similar to those provided under the Credit Agreement described in paragraph A) above.

C) The Term Loan Facility

In February 2012, the subsidiary Enel Finance International NV entered into a term loan with a pool of banks in the amount of €3.2 billion, backed by a guarantee granted by Enel, for a term of five years from the date of the initial

drawdown.

The term loan contains provisions governing possible changes in control and their consequences that are essentially similar to those provided under the Credit Agreement described in paragraph A) above.

D) The revolving credit facility agreement entered into with UniCredit

In order to satisfy specific treasury requirements, in July 2012, Enel entered into a revolving credit facility agreement with UniCredit SpA for a total amount of €500 million, with a term of approximately 18 months from the execution date.

This contract also provides that in the event that control over Enel is acquired by one or more parties other than the Italian government, such change of control shall be timely notified to UniCredit SpA. In the event that UniCredit SpA deems that the change of control may adversely affect Enel's capacity to fulfill its obligations under the revolving credit facility agreement, it may request the suspension of Enel's use of the unused funds under the facility agreement and the reimbursement of the amounts already drawn.

E) The EIB loan to Enel Produzione

In order to increase its investment in the field of renewable energy and environmental protection, in June 2007, the subsidiary Enel Produzione SpA entered into a loan agreement with the European Investment Bank (hereinafter, in short, "EIB") for up to €450 million (amount that the parties subsequently agreed to reduce to €400 million), which expires in July 2027.

This agreement provides that both Enel Produzione SpA and Enel are obliged to inform the EIB of any changes in their control. If it deems that such changes could have negative consequences on the creditworthiness of Enel Produzione SpA or Enel, EIB may demand additional guarantees, changes in the agreement, or alternative measures that it considers satisfactory. If Enel Produzione SpA does not accept the solutions proposed, EIB shall be entitled to unilaterally terminate the loan agreement in question.

F) The EIB loans to Enel Distribuzione

In order to develop the process of making its electricity grid more efficient, in November 2006 the controlled

company Enel Distribuzione SpA entered into a loan agreement with the EIB in the amount of €600 million, which expires in December 2026. In December 2012, following repayments, the outstanding loan amounted to €560 million.

Such agreement is backed by a guarantee agreement entered into by the EIB and Enel, which provides that the Company, in its capacity as guarantor of the loan, is obliged to inform the EIB of any changes in its control structure. After receiving such notification, the EIB will examine the new circumstances in order to decide upon a possible change in the conditions governing such loan to Enel Distribuzione SpA.

G) The Cassa Depositi e Prestiti loan to Enel Distribuzione

In April 2009, Enel Distribuzione SpA entered into a framework loan agreement with Cassa Depositi e Prestiti SpA (hereinafter, in short, "CDP") for an amount of €800 million, which will expire in December 2028. It is also aimed at developing the process of making the power grid of such subsidiary more efficient. In 2011, the parties entered into two extensions to the framework loan agreement for a total amount of €540 million.

This agreement is also accompanied by a guarantee agreement entered into by CDP and Enel, according to which the Company, as guarantor of the aforesaid loan, is obliged to inform CDP (i) of any change in the composition of the capital of Enel Distribuzione SpA that could entail the loss of control of said company, as well as (ii) of any significant deterioration in Enel Distribuzione SpA's and/or Enel's financial condition, balance sheet, income statement, cash flow, or operations or prospects. The occurrence of such circumstances may give rise to an obligation for Enel Distribuzione SpA to repay immediately to CDP the loan received.

Compensation owed to directors in the event of early termination of the relationship, including as the result of a takeover bid

The payment package due to the Chief Executive Officer (as well as the General Manager) of Enel includes an end of mandate severance indemnity, which is also granted in the event of early termination of the directorship relationship following resignation for cause or revocation without cause.

For a detailed description of such compensations please make reference to paragraph 1.2.3 of the first section of the remuneration report approved by the Board of Directors on April 4, 2013, upon proposal of the Compensation Committee, which is available at the Company's registered office, on the Company's website.

No specific indemnities are due in the event that the relationship with any member of the Board of Directors should terminate following a takeover bid.

Organizational structure

In compliance with the current legal framework applicable in Italy to listed companies, the organizational structure of the Company includes:

- > a Board of Directors in charge of managing the Company;
- > a Board of Statutory Auditors responsible for monitoring (i) the Company's compliance with the law and bylaws, as well as compliance with proper management principles in the carrying out of the Company's activities, (ii) the process of financial disclosure and the adequacy of the Company's organizational structure, internal auditing system, and administration and accounting system, (iii) the audit of the annual financial statements and the consolidated financial statements and the independence of the external auditing firm and, lastly (iv) how the corporate governance rules pro-

vided by the Corporate Governance Code are actually implemented;

- > Shareholders' Meetings, called to resolve upon – in either an ordinary or extraordinary session – among other things, (i) the appointment or removal of members of the Board of Directors and the Board of Statutory Auditors, as well as their compensation and responsibilities, (ii) the approval of financial statements and the allocation of net earning, (iii) the purchase and sale of treasury shares, (iv) stock-based compensation plans, (v) amendments to the Company's bylaws, and (vi) the issue of convertible bonds.

The external audit of the accounts is entrusted to a specialized firm enrolled in the relevant registry and appointed by the Shareholders' Meeting, upon a reasoned proposal by the Board of Statutory Auditors.

Section II: Implementation of the recommendations of the Corporate Governance Code and additional information

Board of Directors

Role and functions

The Board of Directors has a central role in the Company's governance structure, since it has powers over the strategic, organizational and control guidelines for the Company and the Group. In consideration of its role, the Board of Directors meets regularly and endeavors to ensure the effective performance of its duties.

In particular, and in accordance with the legal framework and specific resolutions of the Board itself (and, in particular, the one recently passed in December 2012), the Board of Directors:

- > establishes the corporate governance system for the Company and the Group;
 - > constitutes the Board's internal committees, with consultative and proposing powers, appoints their members and, by approving their internal rules, defines their duties;
 - > delegates and revokes the powers of the Chief Executive Officer, defining their content, limits, and the procedures, if any, for exercising them. In accordance with the powers in force, the Chief Executive Officer is vested with the broadest powers for the management of the Company, with the exception of those powers that are assigned otherwise by legal or regulatory provisions or by the Company's bylaws or which are reserved to the Board of Directors according to resolutions of the latter, which are described below;
 - > receives, as well as the Board of Statutory Auditors does, information from the Chief Executive Officer regarding the activities carried out in the exercise of his powers, which are summarized in a special quarterly report. In particular, with regard to all the most significant transactions carried out using the powers of his office (including atypical or unusual transactions or ones with related parties whose approval is not reserved to the Board of Directors), the Chief Executive Officer reports to the Board on (i) the features of the transactions, (ii) the parties concerned and any relation they might have with the Group companies, (iii) the procedures for determining the considerations concerned, and (iv) the related effects on the income statement and the balance sheet;
 - > determines, based on the analyses and proposals of the relevant committee, the compensation of the directors and key executives; in implementing such policy, it determines, based on proposals of the committee and after consulting with the Board of Statutory Auditors, the compensation of the Chief Executive Officer and the other directors who hold specific offices and resolves upon the adoption of incentive plans aimed at the general management;
 - > on the basis of the information received, evaluates the adequacy of the Company's and the Group's organizational, administrative, and accounting structure and resolves on the changes in the general organizational structure proposed by the Chief Executive Officer;
 - > examines and approves the strategic, business and financial plans of the Company and the Group, whose implementation monitors periodically. In this regard, the current division of powers within the Company specifically provides that the Board of Directors resolves upon the approval of:
 - the annual budget and the business plan of the Group (which incorporate the annual budgets and long-term plans drafted by the Group companies);
 - strategic agreements, also defining – upon proposal by the Chief Executive Officer and after consulting the Chairman – the Company's and the Group's strategic objectives;
 - > examines and approves in advance the transactions of the Company and the Group that have a significant impact on their strategy, balance sheets, income statements, or cash flows, particularly in cases where they are concluded with related parties or otherwise characterized by a potential conflict of interests.
- In particular, all financial transactions of a significant size (meaning: (i) the Company's issuance of bonds

or contracting of loans for an amount exceeding €50 million; (ii) the issuance of bonds or the entering into loans by subsidiaries where, in both cases, the grant of a guarantee by Enel is required or the transaction's amount exceeds €300 million; and (iii) the grant of guarantees by Enel, in the interest of subsidiaries or third parties, in both cases, where such guarantees cover amounts exceeding €25 million) must be approved in advance (if they concern the Company) or evaluated (if they regard other Group companies) by the Board of Directors.

In addition, acquisitions and disposals of equity investments amounting to more than €25 million must be approved in advance (if they are carried out directly by the Company) or evaluated (if they concern other Group companies) by the Board of Directors. Finally, the latter approves agreements (with ministries, local governments, etc.) that entail expenditure commitments exceeding €25 million;

- > provides guidance and assessments on the adequacy of the internal control and risk management system, defining the nature and level of risk that is compatible with the Company's and the Group's strategic targets, in line with the prerogatives set forth in such regard in the Corporate Governance Code (as better described in the paragraph entitled "Internal control and risk management system");
- > provides for the exercise of voting rights at the shareholders' meetings of the main companies of the Group and designates the directors and statutory auditors of such companies;
- > appoints the general manager and grants the related powers;
- > evaluates the general performance of the Company and the Group, with particular reference to conflicts of interests, using the information received from the Chief Executive Officer and verifies periodically the achievement of the objectives set;
- > formulates proposals to submit to Shareholders' Meetings and reports at such meetings on the activities carried out and planned, ensuring that the shareholders have adequate information on the elements necessary to enable them to participate in a well-informed manner in the decisions falling under the authority of such meetings.

Appointment, replacement, composition, and term

Pursuant to the provisions of the Company's bylaws, the Board of Directors consists of three to nine members who are appointed by an Ordinary Shareholders' Meeting (which determines their number subject to such limits) for a term not exceeding three financial years and may be reappointed at the expiration of their term of office. A non-voting director may be appointed in addition to the foregoing members, whose appointment is reserved to the Italian government by virtue of the legal framework on privatizations and a specific provision of the bylaws (as explained in the first section of this report in the paragraph entitled "Ownership Structure – Special powers of the Italian government"). To date, the Italian government has not yet exercised such power of appointment.

Under the current legal framework, all of the directors must meet the integrity requisites imposed upon statutory auditors of listed companies, and the company representatives of entities holding equity stakes in financial intermediaries. In compliance with the legal framework governing privatizations and in accordance with the amendments made at the end of 2005 to the Consolidated Financial Act, the bylaws also provide that the appointment of the entire Board of Directors must take place in accordance with the slate voting system aimed at ensuring the presence on the Board of Directors of members appointed by minority shareholders totaling three-tenths of the directors to be elected. In the event this number is a fraction, it is to be rounded up to the nearest integer.

Each slate must include at least two candidates meeting the independence requisites established by law (i.e., those applicable to the statutory auditors of listed companies), distinctly mentioning such candidates and listing one of them as the first name on the slate.

Furthermore, pursuant to the amendments to the Consolidated Financial Act introduced in July 2011, aimed at ensuring a balance between genders in managing and supervisory boards of listed companies, and in light of the implementing regulations issued by CONSOB and included in the Issuers Regulation, and in compliance with the bylaws amendments resolved by the extraordinary Shareholders' Meeting held on April 30, 2012, on the next three renewals of the Board of Directors following August 12, 2012, those slates which contain a number of candidates equal to or over three shall also include candidates belonging to different genders, as indicated in the notice

of call. With regard to the modalities for the appointment of the Board of Directors, such bylaws amendments shall include, under the Company's bylaws, a specific correction mechanism ("sliding clause") to be used in the event that, following the vote, a balance between genders, as required under the applicable legal framework, is not achieved. The slates must list the candidates in progressive order and may be presented by the outgoing Board of Directors or by shareholders who, individually or together with other shareholders, own the minimum percentage of the share capital of the Company indicated by CONSOB with regulation (i.e., considering Enel's market capitalization, as of the date of this report, the minimum percentage required is at least 0.5% of the share capital). The slates must be filed at the Company's registered office, by those who present them, at least 25 days before the date on which the Shareholders' Meeting called to resolve upon the appointment of the members of the Board of Directors is scheduled. Such slates shall be published by the Company on its internet website and shall also be made available to the public at Enel's registered office at least 21 days before the date of the meeting, so as to ensure a transparent process for the appointment of the Board of Directors.

A report containing exhaustive information on the personal and professional qualifications of the candidates, accompanied by a statement as to whether or not they qualify as independent under the applicable provisions of law and the Corporate Governance Code, must be filed at the Company's registered office together with the slates, and must also be published promptly on the Company's website.

For purposes of identifying the directors to be elected, candidates listed on slates that receive a number of votes amounting to less than half the percentage required for presenting the aforesaid slates are not taken into account (i.e., as of the date of this report, 0.25% of the share capital). For the appointment of directors who, for whatever reason, are not elected in accordance with the slate voting system, a Shareholders' Meeting resolves in accordance with the majorities required by the law, ensuring in any case:

- > the presence of the necessary number of directors meeting the independence requisites established by law (in other words, at least one director if the Board consists of no more than seven members or two directors if the Board consists of more than seven members);
- > compliance with the applicable laws on balance between genders; and
- > the principle of a proportional representation of minorities on the Board of Directors.

The replacement of directors is regulated by applicable provisions of law. In addition to such provisions, the by-laws provide that:

- > if one or more of the directors leaving their office vacant were drawn from a slate also containing candidates who were not elected, the replacement must be made by appointing, in progressive order, persons drawn from the slate to which the directors in question belonged, provided that said persons are still eligible and willing to accept the office;
- > in any case, in replacing directors who leave their office vacant, the Board of Directors must ensure the presence of the necessary number of directors meeting the independence requisites established by the law, and ensuring the compliance with the applicable laws on balance between genders;
- > if the majority of the directors appointed by a Shareholders' Meeting leaves the office vacant, the entire Board is to be deemed to have resigned and the directors still in office must promptly call a Shareholders' Meeting to elect a new Board.

It should be noted that the Company has not adopted specific plans for the succession of the executive directors since, as of the date hereof, in consideration of Enel's shareholding structure, (i) the person to be appointed as Chief Executive Officer, considering the specific professional and managerial experiences required by such office, is *de facto* easily identifiable among the candidates of the slate presented by the main shareholder, the Ministry for the Economy and Finance, whilst (ii) the Chairman of the Board of Directors is appointed directly by the Shareholders' Meeting, upon proposal and with the decisive vote of the main shareholder.

As resolved by the Ordinary Shareholders' Meeting of April 29, 2011, the Board of Directors in office is comprised of nine members, whose term shall expire when the 2013 financial statements are approved. As a result of the appointments made by the aforesaid Shareholders' Meeting, as of the date of this report the Board of Directors is comprised of the members indicated here below, together with the specification of the slates from which they were nominated. The slates were presented by the Ministry for the Economy and Finance (which at the time owned 31.24% of the Company's share capital) and by a group of 20 institutional investors (which at the time owned a total of 0.98% of the Company's share capital).

- > Paolo Andrea Colombo, 52, Chairman (designated in the slate presented by the Ministry for the Economy

and Finance);

- > Fulvio Conti, 65, Chief Executive Officer and General Manager (designated in the slate presented by the Ministry for the Economy and Finance);
- > Alessandro Banchi, 66, director (designated in the slate presented by institutional investors);
- > Lorenzo Codogno, 53, director (designated in the slate presented by the Ministry for the Economy and Finance);
- > Mauro Miccio, 57, director (designated in the slate presented by the Ministry for the Economy and Finance);
- > Fernando Napolitano, 48, director (designated in the slate presented by the Ministry for the Economy and Finance);
- > Pedro Solbes Mira, 70, director (designated in the slate presented by institutional investors);
- > Angelo Taraborelli, 64, director (designated in the slate presented by institutional investors);
- > Gianfranco Tosi, 65, director (designated in the slate presented by the Ministry for the Economy and Finance).

A brief description of the professional profiles of the above-mentioned members of the Board of Directors is set forth in Schedule 1 to this report.

The directors are aware of the duties and responsibilities resting with the office they hold and they are, like the statutory auditors, informed on an on-going basis by the relevant corporate departments on the most important legislative and regulatory changes concerning the Company and the performance of their duties. In order to be in a position to perform their role even more effectively, they also participate to initiatives aimed at increasing their knowledge of the Company's structure and dynamics. In particular, in 2012, the non-executive director and the statutory auditors were offered the possibility of taking part, at the Company's expense, in a training course organized by Assogestioni and Assonime about duties and responsibilities of members of management and control bodies of listed companies, in connection with the new edition of the Corporate Governance Code published in December 2011.

The directors perform their duties with full knowledge of the facts and in complete autonomy, pursuing the primary objective of creating value for the shareholders over the medium-long term.

Remuneration

Shareholders' Meetings determine the remuneration of the members of the Board of Directors. The Board of Directors sets the additional remuneration for the members

of the committees with consultative and proposing functions instituted within the Board of Directors, upon a proposal by the Compensation Committee, after consulting the Board of Statutory Auditors. The total remuneration of the Chairman and the Chief Executive Officer/General Manager is also established by the Board of Directors, upon a proposal by the Compensation Committee and after consulting the Board of Statutory Auditors.

For a detailed description of the structure and of the amount of the above-mentioned remuneration for financial year 2012, please see the second section of the remuneration report, approved by the Board of Directors on April 4, 2013, upon a proposal by the Compensation Committee, which is available at the Company's registered office, and on the Company's website.

Limit on the number of offices held by directors

The directors accept and maintain their office provided they expect to be in a position to devote the necessary time to the diligent performance of their duties, taking into account both the number and the nature of the offices they hold on the boards of directors and the boards of statutory auditors of other companies of significant size and the commitment required by the other work or professional activities they carry out and the offices they hold in associations.

In this regard, it should be noted that in December 2006 the Board of Directors approved (and embodied in a specific document, most recently amended in December 2012) a policy regarding the maximum number of offices that its members may hold on the boards of directors and the boards of statutory auditors of other companies of significant size in order to ensure that the persons concerned have enough time to effectively perform their duties on the Board of Directors of Enel, also taking into account their participation in committees established within the Board. In accordance with the recommendations of the Corporate Governance Code, such policy considers significant, in this regard, only those offices held on the boards of directors and the boards of statutory auditors of the following categories of companies:

- a) companies with shares listed on regulated markets, including foreign ones;
- b) Italian and foreign companies with shares not listed on regulated markets and operating in the fields of insu-

- rance, banking, securities intermediation, mutual funds, or finance;
- c) other Italian and foreign companies with shares not listed on regulated markets that, even though they operate in fields other than those specified under letter b) above, have assets exceeding €1 billion and/or revenues exceeding €1.7 billion, based upon their most recent approved financial statements.

In accordance with the recommendations of the Corporate Governance Code, the policy formulated by the Board of Directors thus establishes differentiated limits upon the number of offices (made measurable by a system of specific weights for each kind of office), depending on (i) the commitment connected with the role performed by each director, both on Enel's Board of Directors and on the boards of directors and the boards of statutory auditors of other companies of significant size, as well as (ii) the nature of the companies where the other roles are performed, excluding from the related calculation those performed within Enel's subsidiaries and affiliates.

In the context of the amendment of such policy in December 2012, it was provided that – in line with the recommendations introduced in the edition of the Corporate Governance Code published in December 2011 – unless otherwise decided in accordance with a reasoned opinion expressed by the Board of Directors, Enel's Chief Executive Officer may not hold the role of director of another large company outside Enel Group and where an Enel's director acts as Chief Executive Officer.

On the basis of the information provided by the directors of the Company upon implementation of the aforesaid policy – and taking into account the inquiry carried out by the Board of Directors most recently in December 2012 – each of Enel's directors currently holds a number of offices in the boards of directors or boards of statutory auditors of other companies of significant size that is compatible with the limit established under such policy.

Board meetings and the role of the Chairman

In 2012, the Board of Directors held 14 meetings, which lasted an average of about 3 hours and 15 minutes each. The directors' participation was regular and the meetings were also attended by the Board of Statutory Auditors and by a magistrate representing the Court of Auditors. For the financial year 2013, 13 Board's meetings have

been scheduled, 4 of which have already been held.

During 2012 the heads of the corporate functions in charge of the various matters related to the items on the agenda have been constantly invited to attend the meetings of the Board of Directors and, upon invitation by the Chief Executive Officer, they have brought to the discussion their valuable contribution.

The activities of the Board of Directors are coordinated by the Chairman, which has a proactive role in connection with the functioning of the Board. In particular, the Chairman calls the meetings of the Board, establishes their agenda, presides over them, and endeavors to ensure that the documentation related to the items on agenda is circulated to the directors and statutory auditors with timely advance notice prior to the date of each meeting. In this regard, it should be noted that the Board of Directors, in December 2012, deemed generally timely an advance notice of three days for mailing out the Board meeting documentation (while at the same time acknowledging that such term could be increased or decreased, respectively, in cases where the documentation is particularly important and/or complex or in the event of urgent transactions or transaction in progress), and affirmed that in 2012, such term had generally been complied with. The Chairman also ascertains whether the Boards' resolutions are implemented, chairs Shareholders' Meetings, and – like the Chief Executive Officer – is authorized to represent the Company legally.

In addition to the powers provided by law and under the bylaws regarding the functioning of the corporate bodies (the Shareholders' Meeting and the Board of Directors), the Chairman is also entrusted, pursuant to a board resolution passed in December 2012, with the duties of (i) participating in the formulation of corporate strategies in concert with the Chief Executive Officer, without prejudice to the powers granted to the latter by the Board of Directors in this regard, as well as (ii) taking part in, jointly with the Chief Executive Officer, the drafting in favor of the Board of Directors of proposals on the appointment, revocation and compensation of the head of the Company's "Audit" function.

Finally, in agreement and coordination with the Chief Executive Officer, the Chairman maintains relations with institutional bodies and authorities.

Evaluation of the functioning of the Board of Directors and its committees

Towards the end of 2012, the Board of Directors, with the assistance of a specialized consultancy firm which is not party to any other professional or business relationships with Enel or the other companies belonging to the Enel Group, began (and completed in February 2013) an evaluation of the size, composition, and functioning of the Board itself and its committees (referred to as the "Board review"), in compliance with the most advanced corporate governance practices disseminated abroad that have been adopted under the Corporate Governance Code. This Board review follows similar initiatives that have been conducted on an annual basis by the Board of Directors starting in 2004.

The analysis, which is conducted by means of a questionnaire filled out by each director followed by individual interviews performed by the consultancy firm, in accordance with standard practice, focused on the most significant issues regarding the Board of Directors, such as: (i) the composition, role, and responsibilities of such body; (ii) the organization and conduct of Board meetings, the related information flows and the decision-making processes followed; (iii) the utility and frequency of induction meetings in order to expand the visibility and understanding of the most important strategic and operating matters; (iv) relationships between the Board of Directors and the Company's and the Group's top management; (v) the composition and functioning of the committees instituted within the Board; (vi) the adequacy of the organizational structures that support the works of the Board of Directors and of its committees.

Among the strengths that emerged from the 2012 Board review, the most noteworthy include the spirit of collaboration within the Board of Directors, facilitating the decision-making process; the information flows on which such decision-making process is based, which the directors consider to be complete, effective and timely; the breadth of the Board's discussions, which are supported by an adequate awareness on the part of the directors of the Company's strategies and risks; the minutes of the meetings recording the discussions and the resolutions of the Board, that are considered to be precise and accurate. The size of the Board of Directors, the expertise among its members, the number and the duration of the Board meetings are considered to be appropriate. The activities carried out by the Chairman

and the manner in which he coordinates the works of the Board of Directors continue to be very positively assessed by the other directors, which have also confirmed their positive assessment on the transparency of the information provided by the top management during the Board's meetings and on the contributions and analyses on the most significant issues which have been provided by the top managers during the Board's Meetings and which have provided the opportunity to enrich the Board's discussions with additional information. With regard to the establishment of committees within the Board, a large consensus has been reiterated on the adequacy of their composition, their role and the effectiveness of the activities carried out, facilitated by both the support given by the dedicated corporate functions and the accessibility of the information requested. The overall picture provided above confirms that – as pointed out by the consultancy firm, also based on a specially performed benchmark analysis – Enel's Board of Directors and its internal committees work in an efficient and transparent manner, in full compliance with best practices for corporate governance.

With reference to the recommendation represented during the previous Board review regarding the advisability of including as a schedule to the more lengthy and complex documents to be reviewed by the Board of Directors summary memoranda which summarize the most important contents, it has been observed that such requests have been promptly and fully satisfied, just as the adequate timeliness of the delivery of the documentation prior to upcoming Board meetings has been confirmed.

Continuing an initiative introduced after the first Board review (conducted in 2004), the annual meeting of the Strategic Committee was again organized in October 2012 and focused on an analysis and in-depth study by the members of the Board of Directors of the long-term strategies across the Group's various business sectors. Upon the conclusion of the Board review, the directors confirmed the considerable usefulness of such meeting as part of their training, and recommended that its duration be extended in order to ensure even more in-depth discussions between the top management and the directors, which could increase the opportunities for the directors to provide their contributions to the process of definition of the corporate strategies.

Among the few areas showing room for improvement, a number of directors have recommended, on the one hand, to better analyze the strategies of the Group's main competitors at the international level, in light of the growing importance of Enel's expansion onto foreign markets and,

on the other hand, to conduct more regular and frequent reviews of the Company's and the Group's long-term strategies, including by further enhancing and extending the scope of the annual strategic summit.

Executive and non-executive directors

The Board of Directors consists of executive and non-executive directors.

In accordance with the recommendations set forth in the Corporate Governance Code, the following directors are considered executive directors:

- > the Chief Executive Officer of the Company (or of strategically significant Group companies), as well as the related Chairman who has been granted individual management powers or who has a specific role in the formulation of the Company's strategies;
- > directors who hold executive positions in the Company (or in strategically significant Group companies) or in the controlling entity, if the position also regards the Company.

Directors who do not fall under any of the foregoing categories qualify as non-executive.

According to the analysis carried out in December 2012 by the Board of Directors in office as of the date of this report, with the exception of the Chairman and the Chief Executive Officer/General Manager, the other seven members of the same Board of Directors (Alessandro Banchi, Lorenzo Codogno, Mauro Miccio, Fernando Napolitano, Pedro Solbes Mira, Angelo Taraborrelli and Gianfranco Tosi) are non-executive directors.

As regards the Chairman, it should be noted that his classification as an executive director derives from the specific role that the current division of powers assigns him with regard to the formulation of the Company's strategies, although he does not have any individual powers of management.

As regards the Chief Executive Officer, the latter is granted all powers to manage the Company, with the exception of those otherwise assigned under legal or regulatory provisions, the Company's bylaws or the structure of powers which was updated, most recently, in December 2012 (as regards the matters which under such structure are reserved to the Board of Directors, see the paragraph entitled "Board of Directors – Role and functions" above).

The number, expertise, professionalism, authoritativeness,

and availability of the non-executive directors are therefore appropriate to ensure that their judgment can have a significant influence on the decisions made by the Board. The non-executive directors bring their specific expertise to the Board's discussions, so as to facilitate an examination of the issues under discussion from different perspectives and consequently the adoption of reasoned and well-informed decisions that correspond with corporate interests.

Independent directors

Basing its decision on the information provided by the persons concerned or information otherwise available to the Company, in December 2012, the Board of Directors attested that directors Alessandro Banchi, Mauro Miccio, Fernando Napolitano, Pedro Solbes Mira, Angelo Taraborrelli, and Gianfranco Tosi are independent pursuant to the Corporate Governance Code.

Specifically, non-executive directors were considered independent if they neither are party nor have recently been party to relationships, even indirectly, with the Company or with parties related to the Company that could currently compromise their autonomy of judgment.

As usual, the procedure followed in this regard by the Board of Directors began with an examination of a document indicating the offices held and the relations maintained by the non-executive directors that could be deemed relevant for purposes of assessing their respective independence. This phase was followed by the self-assessment carried out by each of the non-executive directors regarding his personal position, after which the final assessment was made collectively by the Board of Directors, with the abstention, in turn, of the individual members whose position was under examination.

In evaluating the independence of the non-executive directors, the Board of Directors took into account the cases in which, according to the Corporate Governance Code, the requisites of independence should be considered lacking and, in this regard, applied the principle of the prevalence of substance over form recommended by such Code.

In this regard, it is pointed out that during such evaluation conducted in December 2012 on the independence of the non-executive directors, the Board of Directors, in compliance with the above-mentioned principle of prevalence of substance over form, has also classified

as independent, pursuant to the Corporate Governance Code, the directors Fernando Napolitano and Gianfranco Tosi, having concluded that their independence may be more properly assessed taking into account the independence of judgment shown by the same towards the Company, its executive directors and its main shareholder, the Ministry for the Economy and Finance, which presented their candidatures, rather than on the basis of the fact that Mr. Tosi has been one of the directors of Enel for over nine years during the last twelve years.

Furthermore, the Board of Directors has confirmed the validity of the specific quantitative parameters – adopted for the first time during the independence evaluation carried out in February 2010 – applicable to the commercial, financial, or professional relations that may take place, directly or indirectly, between directors and the Company. Unless there are specific circumstances, to be evaluated on a case-by-case basis, the exceeding of such parameters (specified in the Table 1 attached to the present report, together with the cases in which, according to the Corporate Governance Code, the requisites of independence must be considered lacking) should, in principle, preclude the relevant non-executive director's satisfaction of the independence requisites provided under such Code. In this regard, it should be noted that during the above-mentioned evaluations conducted in December 2012 on the independence of the non-executive directors, the Board of Directors acknowledged that no business, financial or professional relationships, whether direct or indirect, of such a nature to compromise their independence of judgment, exist or have existed during years 2011 and 2012, between the above-mentioned directors, qualified as independent, and the Company or persons related to the Company.

During the review carried out in December 2012, the Board of Directors ascertained that the foregoing six non-executive directors – i.e. Alessandro Bianchi, Mauro Miccio, Fernando Napolitano, Pedro Solbes Mira, Angelo Taraborrelli and Gianfranco Tosi – also met the requisite of independence provided by law (namely by the Consolidated Financial Act) for the statutory auditors of listed companies (such requisites are also clearly specified in Table 1 attached to this report).

In February 2013, the Board of Statutory Auditors established that, in carrying out the aforesaid evaluations on the independence of its non-executive members, the Board of Directors correctly applied the criteria recommended by the Corporate Governance Code, following

for such purpose a transparent assessment procedure that enabled the Board to learn about relations that were potentially relevant for purposes of the independence evaluation.

Even though independence of judgment characterizes the activities of all directors, both executive and non-executive, an adequate presence of directors (both with respect to their number and responsibilities) who can be qualified as independent according to the foregoing definition – having a significant role in the Board of Directors as well as in the committees – ensures a proper balance of the interests of all shareholders.

The independent directors met, without the presence of the other directors, in December 2012. On that occasion, on the one hand, they verified that the recommendations that emerged from the Board review for year 2011 had been fully implemented over the course of 2012 and, on the other, agreed upon the need to hold more frequent meetings for the independent directors, in order to discuss the matters considered to be of interest in connection with the functioning of the Board of Directors and the management of the Company.

In December 2012, the Board of Directors also confirmed the absence of any conditions that, according to the Corporate Governance Code, would require the appointment of a lead independent director, in consideration of the fact that at Enel the Chairman of the Board of Directors is not the Chief Executive Officer, and does not own a controlling interest in the Company. The independent directors also concluded that the fact that they had identified within the Board, as of December 2011, a director (in the person of Mauro Miccio) in charge of coordinating the conduct of meetings reserved for them rendered unnecessary the express designation, on a voluntary basis, of a lead independent director.

Committees

In order to ensure that it performs its duties effectively, as early as January 2000 the Board of Directors set up within the Board itself a Compensation Committee and an Internal Control Committee (name which, in line with the recommendations introduced in the edition of the Corporate Governance Code published in December 2011, in December 2012 was changed to Control and Risk Committee), having consultative and proposing functions.

Each of such committees consists of at least 3 non-execu-

tive directors, the majority of whom are independent, and are appointed by the Board of Directors, which appoints one of them as Chairman (who, starting from December 2012, in line with the recommendations introduced in the edition of the Corporate Governance Code published in the month of December 2011, must meet the independence requisites) and also establishes the duties of the committee by a special resolution.

Special organizational regulations approved by the Board of Directors (amended and integrated most recently in December 2012) govern the composition, tasks, and working procedures of the Compensation Committee and the Control and Risk Committee.

In carrying out their duties, the committees in question are empowered to access the information and corporate departments necessary to perform their respective tasks and may avail themselves of external consultants at the Company's expense subject to the limits of the budget approved by the Board of Directors. In this regard, it should be noted that in the event that the Compensation Committee decides to avail itself of external consultants in order to obtain information on market practices concerning remuneration policies, it previously verifies that the consultant is not in any situation which may effectively compromise his independence of judgment.

Each committee appoints a secretary, who need not be one of its members, who is assigned the task of drafting the meeting minutes.

The Chairman of the Board of Statutory Auditors, or another designated auditor, attends the meetings of each committee (it should be noted that starting in December 2012 and in line with the recommendation introduced in the edition of the Corporate Governance Code published in December 2011, also the other regular statutory auditors are entitled to attend). Upon invitation by the Chairman of the relevant committee, meetings may also be attended by other members of the Board of Directors or representatives of the Company's functions/departments or third parties whose presence may support the performance of the committee's duties. The meetings of the Compensation Committee are also normally attended by the head of the "Human Resources and Organization" function, and the meetings of the Control and Risk Committee are also normally attended by the head of the "Audit" function.

In November 2010, the Board of Directors, during its approval of a new procedure for related party transactions, in compliance with the requirements prescribed by CONSOB

through a regulation passed in March 2010, established an internal committee (the Related Parties Committee). This committee is in charge of issuing specific opinions on transactions with related parties carried out by Enel, directly or through its subsidiaries, in the circumstances and in compliance with the procedure described above.

Subsequently, in May 2011, the Board of Directors established another internal committee with consultative and proposing functions regarding corporate governance matters (the Corporate Governance Committee), placed in charge of supervising the procedures and the regulations adopted in this respect within the Company and formulating amendment proposals in order to adapt their contents to the national and international best practices, also taking into account changes in the applicable legal framework. In December 2012, on the occasion of the implementation of the recommendations introduced in the edition of the Corporate Governance Code published in December 2011, the Board of Directors also delegated nomination committee functions to this committee.

The organizational rules governing the Related Parties Committee and the Nomination and Corporate Governance Committee regulate the functioning of such committees essentially in accordance with the principles contained in the organizational rules governing the Compensation Committee and the Control and Risk Committee.

Compensation Committee

The compensation of the Company's directors and key executives is established in an amount that is sufficient to attract, retain, and motivate people endowed with the professional qualities required for successfully managing the Company.

In this regard, the Compensation Committee must ensure that the compensation of the executive directors and the key executives is defined so as to align their interests with the priority objective of pursuing the creation of value for the shareholders over the medium-long term. In particular, a significant portion of the compensation of executive directors and key executives is linked to the achievement of specific performance objectives, which also include non-economic objectives, which are identified in advance and determined in line with the guidelines set forth in the remuneration policy.

The compensation of non-executive directors is commensurate with the commitment requested of each of them, taking into account their participation in the committees.

It should be noted in this regard that, in line with the recommendations of the Corporate Governance Code, this compensation is in no way linked to the economic results achieved by the Company or the Group and that the non-executive directors are not beneficiaries of stock-based incentive plans.

No directors may attend those meetings of the Compensation Committee that are called to resolve upon proposals regarding their own emoluments, to be submitted to the Board of Directors, except in the case of proposals concerning all the members of the committees established within the Board of Directors.

Specifically, the Compensation Committee is entrusted with the following consultative and proposing tasks (as most recently determined by the Board of Directors in December 2012):

- > presenting proposals to the Board of Directors for the compensation of the directors and key executives, evaluating periodically the adequacy, overall consistency and concrete application of the adopted policy, also on the basis of information provided by the Chief Executive Officer concerning the implementation of such policy with respect to the key executives;
- > submitting to the Board of Directors proposals for or express opinions on the remuneration of the executive directors and the other directors who hold particular offices, as well as the identification of performance objectives related to the variable component of such remuneration, monitoring the implementation of the resolutions adopted by the Board and verifying, in particular, the actual achievement of performance objectives;
- > examining in advance the annual report on remuneration to be made available to the public in view of the annual Shareholders' Meeting called for the approval of the financial statements.

As part of its duties, the Compensation Committee also plays a central role in elaborating and monitoring the performance of incentive systems (including stock-based plans, if any), addressed to the management and conceived as instruments aimed at attracting and motivating resources with appropriate abilities and experience and developing their sense of belonging and ensuring their constant, enduring effort to create value.

In addition to those recommended by the Corporate Governance Code, the Compensation Committee also performs the task of assisting the Chief Executive Officer and the relevant corporate departments in developing the po-

tential of the Company's managerial resources, recruiting talented people, and promoting related initiatives with universities.

During 2012, the Compensation Committee consisted of directors Fernando Napolitano (acting as Chairman), Alessandro Banchi and Pedro Solbes Mira. The Board of Directors verified that all members of the committee have adequate experience and expertise in financial matters.

In 2012, the Compensation Committee held 6 meetings, which were duly attended by its members (and the Chairman of the Board of Statutory Auditors) and lasted, on average, 1 hour and 45 minutes each. The committee availed itself of external consultants, at the Company's expense.

During 2012, the Compensation Committee defined over the first few months of the year the remuneration policy for the directors and key executives. Such policy was approved by the Board of Directors on April 5, 2012 and was submitted for a consultative vote to the Ordinary Shareholders' Meeting held on April 30, 2012, which expressed its favourable vote in such regard. The Compensation Committee, in addition to elaborating the long-term incentive plan for year 2012 and carrying out a review of the performance of the existing incentive plans, worked on defining the remuneration of the Chairman and the Chief Executive Officer/General Manager; in this respect, the committee also worked on implementation aspects concerning the variable component of the compensation of the Chairman and the Chief Executive Officer/General Manager, in particular setting the annual economic and managerial objectives to assign them and verifying their attainment of the objectives for the previous year. The committee lastly analyzed developments in the management compensation plan and toward the end of the year started to prepare a compensation policy for directors and key executives for year 2013 which, following definition by the committee, was approved by the Board of Directors on April 4, 2013.

Control and Risk committee

The Control and Risk Committee (which until December 2012 operated under the name "Internal Control Committee" in accordance with the responsibilities assigned in line with the recommendations of the edition of the Corporate Governance Code published in March 2006) has the task of supporting, through an adequate review process, the assessments and decisions on the part of the Board of Directors regarding the internal control and risk

management system and the approval of periodic financial reports. Specifically, the Control and Risk Committee is entrusted with the following consultative and proposing tasks (as most recently defined by the Board of Directors, in December 2012), which were broadened to include new responsibilities in addition to those already assigned to it as internal control committee:

- > supporting the Board of Directors, by formulating specific opinions, in connection with the performance of its tasks delegated under the Corporate Governance Code on internal control and risk management matters (it should be noted that such tasks are analysed in the paragraph entitled "Internal control and risk management system" below);
- > assessing, together with the executive in charge of preparing the corporate accounting documents, after consulting with the auditing firm and the Board of Statutory Auditors, the proper application of accounting principles and their uniformity for purposes of preparing the periodic financial reports;
- > expressing opinions on specific aspects regarding the identification of the Company's and the Group's main risks;
- > reviewing periodic reports concerning assessments on the internal control and risk management system and the particularly important reports prepared by the "Audit" function;
- > monitoring the independence, adequacy, effectiveness and efficiency of the "Audit" function;
- > performing the additional tasks assigned to the Committee by the Board of Directors, with particular regard to:
 - reviewing the contents of the sustainability report that are relevant for purposes of the internal control and risk management system, issuing in such regard a prior opinion to the Board of Directors called to approve such report (it should be noted that such task was assigned to the committee starting in December 2012, while until such time the committee had handled, more broadly, the assessment of the adequacy of the commitment dedicated to the issues related to social responsibility of companies, and the completeness and transparency of the disclosure provided in this regard through the sustainability report);
 - reviewing the main corporate rules and procedures related to the internal control and risk management system which are relevant for stakeholders, with par-

ticular reference to the Compliance Program prepared pursuant to Legislative Decree 231/2001, the Code of Ethics, the "Zero tolerance for corruption" plan and the Human Rights Policies, submitting such documents to the Board of Directors for approval and assessing any subsequent amendments or supplements to the same;

- > reporting to the Board of Directors at least once every six months on the work performed and on the adequacy of the internal control and risk management system.

The committee may also ask the "Audit" function to perform checks on specific operating areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the director in charge of the internal control and risk management system, except where the subject matter of the request specifically concerns such persons' work.

During 2012, such committee consisted of directors Gianfranco Tosi (acting as Chairman), Lorenzo Codogno (in which respect the Board of Directors recognized that the requisite of appropriate experience in accounting and finance had been met), Mauro Miccio and Angelo Taraborrelli.

In 2012, such committee held 15 meetings, which were duly attended by its members (as well as the Chairman of the Board of Statutory Auditors) which lasted, on average, 2 hours each.

During 2012, such committee focused on, first of all, the evaluation of the work plan prepared by the head of the "Audit" function, on the results of the audits performed during the previous year. Based upon such results, the committee formulated, within the scope of its responsibilities, a positive assessment of the adequacy, efficiency and effective functioning of the internal control system during the previous year. During 2012, the committee also analyzed the main accounting decisions, the most important accounting standards and the impact of new international accounting standards on the Enel Group's consolidated financial statement for 2011 and the half-year report for 2012, also reviewing the impairment test procedure in the consolidated financial statement for 2011. In addition, over the course of 2012, the committee: (i) reviewed the sustainability report which was updated on the main initiatives conducted by the Group concerning corporate social responsibility; (ii) assessed the reports received during the previous financial year on the basis of the provisions of the Code of Ethics; (iii) examined the main issues raised by the Court of Auditors in its report on the manage-

ment for the year 2010 and examined the considerations raised by the Company's functions with responsibilities in this regard; (iv) analyzed the proposals for updating the Compliance Program adopted pursuant to Legislative Decree 231/2001. Finally, the committee acknowledged the on-going compliance within the Group with the laws and regulations on accounting transparency, adequacy of the organizational structure and the internal control systems of the subsidiaries established under and governed by the laws of non-EU countries.

Related Parties Committee

The Related Parties Committee is comprised of at least 3 independent directors, who are appointed by the Board of Directors, which appoints one of its members as Chairman and also resolves upon the duties assigned to the Committee itself, in accordance with the provisions of the specific procedure for the governance of related party transactions, adopted by the Board of Directors in November 2010.

Based upon the above-mentioned procedure and its own organizational rules, the Related Parties Committee essentially has the duty of formulating specific reasoned opinions on the interests of Enel – as well as those of Enel's directly or indirectly controlled subsidiaries that may be involved from time to time in the completion of transactions with related parties, expressing an assessment on the advantageousness and substantial fairness of the relevant conditions, after receiving timely and adequate information in advance. In connection with transactions of major importance (as defined in the aforementioned procedure), such committee may also request information and make comments to the Chief Executive Officer and those persons in charge of the negotiations or the inquiry on matters related to the information received. Lastly, the committee decides upon those cases, submitted to its attention by the advisory board established pursuant to the same procedure, in which the identification of a related party is disputed. In the exercise of its duties, the committee may avail itself, at the expense of Enel, of the assistance of one or more experts chosen by the committee from among persons of proven expertise and competence on the subject matters of the transactions on which the committee is asked to give its opinion, after having verified their independence and the absence of any conflicts of interests.

During 2012, the committee was comprised of directors Alessandro Banchi (acting as Chairman), Pedro Solbes Mira, Angelo Taraborrelli and Gianfranco Tosi. Starting in

December 2012, the director Angelo Taraborrelli ceased to be a member of the committee and at the same time became a member of the Nomination and Corporate Governance Committee in order to ensure a fair allocation of workloads among the members of the internal committees established within the Board of Directors.

Moreover, during 2012, the committee held one meeting which was duly attended by all of its members (as well as the Chairman of the Board of Statutory Auditors) and lasted for approximately 1 hour.

At such meeting, the Related Parties Committee: (i) examined the main views expressed by CONSOB on the initial experiences involving the application of the legal framework on related party transactions; (ii) analyzed the disclosure set forth in the periodic financial documents concerning the related party transactions concluded within the Group; and (iii) agreed upon a number of proposed amendments to be made to the corporate procedure on the regulation of related party transactions and the organizational rules on the related committee, essentially for purposes of updating their provisions on the occasion of the implementation of the recommendations set forth in the edition of the Corporate Governance Code published in December 2011.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee (which until December 2012 operated under the name "Corporate Governance Committee" in accordance with the responsibilities assigned to such committee) is comprised of at least 3 directors; the members of the committee are appointed by the Board of Directors, which also appoints, among them, a Chairman and establishes the duties of the same committee. Based upon the provisions of its organizational rules, until December 2012, such committee was comprised mainly of non-executive directors of whom at least one met the independence requisites, while starting from December 2012 (upon the assignment to such body of the nomination committee functions), the majority of the committee's members shall meet the independence requisite.

According to the provisions contained in its organizational rules (as most recently amended by the Board of Directors in December 2012), the Nomination and Corporate Governance Committee, which has preliminary review, consultative and proposing functions, shall assist the Bo-

ard of Directors on its assessments and decisions related to the size and composition of the Board of Directors, as well as the corporate governance of the Company and the Group and corporate social responsibility. Within these duties, the Nomination and Corporate Governance Committee has the following specific tasks (which have been expanded to include additional tasks with respect to those assigned to it as corporate governance committee):

- > formulating opinion to the Board of Directors on the size and composition of the Board and expressing recommendations on the professional figures whose participation on the Board would be deemed advisable. In this regard, the committee oversees/handles the Board review process, formulating to the Board of Directors proposals on granting mandates to companies with specialized experience in the sector, identifying the matters to be assessed and defining the modalities and timetable of the process;
- > expressing recommendations to the Board of Directors on the contents of the policy on the maximum number of mandate within boards of directors and control over other large companies which could be considered compatible with an effective performance of the mandate as director of the Company;
- > expressing recommendations to the Board of Directors on problematic issues related to the application of the restriction on competition imposed upon the directors pursuant to Article 2390 of the Italian Civil Code, if the Shareholders' Meeting, for organizational reasons, has authorized on a general and preliminary basis exemptions from such restriction;
- > proposing to the Board of Directors candidates for the role of director, taking into account possible reports received from the shareholders:
 - in the event of co-optation, if it is necessary to replace independent directors;
 - if, in the event of the renewal of the Board of Directors, it is envisaged that it will not be possible to attain from the lists submitted by the shareholders the required number of directors, such that the outgoing Board may therefore express its own candidatures to be submitted to the Shareholders' Meeting;
 - if, in the case of a renewal of the Board of Directors, the outgoing Board decides to avail itself of the right provided under the bylaws to submit its own list;
- > monitoring the evolution of the legal framework, as well as national and international best practices, in relation to corporate governance, updating the Board of

Directors in case of significant changes;

- > verifying that the corporate governance system adopted by the Company and the Group is compliant with applicable laws, recommendations set forth under the Corporate Governance Code and national and international best practices;
- > submitting to the Board of Directors proposals for the adjustment of the aforementioned corporate governance system, if it is deemed necessary or appropriate;
- > examining in advance the annual report on corporate governance to be included in the documentation of the annual financial statements;
- > assessing the adequacy of the commitment dedicated to matters of corporate social responsibility; examining the general structure of the sustainability report and the structure of its contents, as well as the completeness and transparency of the disclosure provided on matters of corporate social responsibility through such financial statement, issuing in such regard a prior opinion to the Board of Directors called upon to approve such document (it should be noted that such task has been assigned to the committee starting in the December 2012, while until such time it had been assigned to the Internal Control Committee);
- > performing additional tasks assigned it by the Board of Directors.

During 2012, such committee was comprised of directors Paolo Andrea Colombo (acting as Chairman), Lorenzo Codogno, Mauro Miccio and Fernando Napolitano. Starting in December 2012, upon the assignment to the committee of the nomination committee functions, the director Angelo Taraborrelli joined the committee.

During 2012, such committee held 7 meetings that were duly attended by its members (as well as of the Chairman of the Board of Statutory Auditors) and lasted, on average, 1 hour and 45 minutes each. The committee availed itself of external consultants, at the Company's expense.

During 2012, the committee analyzed in the first place the contents of the edition of the Corporate Governance Code published in December 2011, determining the modalities for implementing within the Enel Group the recommendations set forth in such document, which were submitted to the Board of Directors for approval in December 2012, together with the related proposals for the amendment of the structure of powers and the various corporate procedures and rules on corporate governance.

The committee also worked on preparing the Board review process, promoting, through a specific selection

procedure, for purposes of selecting a consultancy firm engaged to support the Board of Directors and its committees in the self-assessment procedure for financial year 2012. The committee also reviewed the structure and contents of the corporate governance report and the ownership structures for year 2011, which was submitted to the Board of Directors for approval on April 5, 2012, and reviewed the amendments to the bylaws aimed at ensuring balance between genders within the Company's management and control bodies, which were agreed by the Board of Directors and later approved by the Extraordinary Shareholders' Meeting held on April 30, 2012. The committee lastly addressed the developments in the national and EC legal frameworks on corporate law and corporate governance (with particular reference to the new legal framework on "special powers" of the Italian State for business operations of strategic importance within the energy sector and the results of the consultations on the "green book" published by the European Commission on the corporate governance of listed companies).

Board of Statutory Auditors

According to the provisions of the law and the Company's bylaws, the Board of Statutory Auditors consists of three acting auditors and two alternates (to be increased to three upon the renewal of the members of such body expected to take place over the course of 2013), who are appointed by an Ordinary Shareholders' Meeting for a period of three accounting periods and may be re-appointed when their term expires.

As part of the tasks assigned to it by law (and indicated in the first section of this report in the paragraph entitled "Organizational structure"), and in compliance with the recommendations set forth in the Corporate Governance Code, the Board of Statutory Auditors has the following powers:

- > the power – which may also be exercised individually by the statutory auditors – to request the Company's "Audit" function to perform checks on specific corporate operating areas or transactions;
- > the power to promptly exchange information relevant for performing their respective duties with the Control and Risk Committee.

According to the legislation in force, the members of the Board of Statutory Auditors must possess the requisites of integrity, professionalism and independence imposed upon the statutory auditors of listed companies, as sup-

plemented (only as regards the professionalism requisites) by specific provisions of the bylaws. They must also comply with the limits concerning the number of offices on boards of directors and boards of statutory auditors of Italian companies as established by CONSOB through a specific regulation.

Similar to the bylaws provisions applicable to the Board of Directors – and in compliance with the Consolidated Financial Act – the bylaws provide that the appointment of the entire Board of Statutory Auditors must take place in accordance with a slate voting system, which aims to ensure the presence on the Board of an acting auditor (who is entitled to the office of Chairman) and an alternate auditor (who will take the office of Chairman if the incumbent leaves before the end of his term) designated by minority shareholders.

This election system provides that the slates, in which the candidates must be listed in progressive order, may be presented by shareholders which, either alone or together with other shareholders, own the minimum equity interest in the Company, as determined by CONSOB through a regulation, for the presentation of slates of candidates for the office of director (specifically, based upon the stock exchange capitalization of Enel's shares, at the date of this report, the equity interest required is at least 0.5% of the share capital).

Moreover, in implementing the amendments to the Consolidated Financial Act introduced in July 2011 with the purpose to ensure the balance between genders in the management and control bodies of listed companies, as well as in compliance with the relevant CONSOB's regulations, and according to the amendments to the bylaws approved by the Extraordinary Shareholders' Meeting held on April 30, 2012 at the first three renewals of the Board of Statutory Auditors after August 12, 2012, the slates that contain an overall number of candidates (both acting and alternate members) that is equal to or higher than three shall include candidates of different genders in both the first two positions of the slate's section related to the acting auditors and the first two positions of the slate's section related to alternate auditors.

The slates of candidates to the office of statutory auditor (as for the slates of candidates to the office of director) must be filed at the Company's registered office by those presenting them, at least 25 days before the date of the Shareholders' Meeting convened to resolve upon the election of the members of the Board of Statutory Auditors. They are then published by the Company on its website,

and also filed at the Company's registered office at least 21 days before the scheduled date of the Shareholders' Meeting, together with exhaustive information on the personal and professional characteristics of the candidates, in order to guarantee a clear procedure for the election of the controlling body.

When less than the entire Board of Statutory Auditors is being elected, the Shareholders' Meeting resolves in accordance with the majorities required by law and without the need to follow the foregoing procedure, but in any case in such a way as to ensure:

- > the observance of the principle of the representation of minority shareholders on the Board of Statutory Auditors; as well as
- > the observance of the applicable laws concerning the balance of genders.

In any case, the statutory auditors act autonomously and independently, including with regard to the shareholders who elected them.

Having been elected by the Ordinary Shareholders' Meeting held on April 29, 2010, the term of the current Board of Statutory Auditors will expire when the 2012 financial statements are approved. As a result of the appointments made at the aforesaid Shareholders' Meeting, at the date of this report, the Board of Statutory Auditors consists of the acting members indicated here below, together with the slates on which they were appointed. Such slates were presented by the Ministry for the Economy and Finance (which at the time owned 13.88% of the Company's share capital) and by a group of 20 institutional investors (which at the time owned a total of 19% of the Company's share capital).

- > Sergio Duca, 65, Chairman (designated in the slate presented by institutional investors);
- > Carlo Conte, 65, acting auditor (designated in the slate presented by the Ministry for the Economy and Finance);
- > Gennaro Mariconda, 70, acting auditor (designated in the slate presented by the Ministry for the Economy and Finance).

A brief professional profile of the above-mentioned acting auditors is provided in Schedule 2 to this report.

The Shareholders' Meeting determines the remuneration of the regular members of the Board of Statutory Auditors. Specifically, in April 2010 the Ordinary Shareholders' Meeting set the gross remuneration to which the Chairman of the Board of Statutory Auditors is entitled at €85,000 a year and the gross remuneration to which each of the other regular statutory auditors is entitled at

€75,000 a year, in addition to the reimbursement of the expenses necessary for the performance of their duties.

During 2012, the Board of Statutory Auditors held 16 meetings, which lasted on average about 2 hours and 15 minutes each, which were duly attended by the acting auditors and the magistrate representing the Court of Auditors.

In February 2013, the Board of Statutory Auditors established that the Chairman, Sergio Duca, and the acting auditor Gennaro Mariconda meet the requisites of independence provided under the Corporate Governance Code with regard to directors. As regards the acting auditor Carlo Conte, the Board of Statutory Auditors established that even though he does not meet the aforesaid requisites of independence (because he was General Manager at the Ministry for the Economy and Finance, the Company's main shareholder until June 30, 2012), he does meet the independence requisites imposed upon statutory auditors of listed companies under the Consolidated Financial Act.

Auditing firm

The auditing firm Reconta Ernst & Young S.p.A. has been engaged to perform the legal audit of Enel's financial statements and the Group's consolidated financial statements. The assignment was awarded to such firm by the Ordinary Shareholders' Meeting of April 29, 2011, upon proposal of the Board of Statutory Auditors, with reference to the fiscal years from 2011 until 2019 and for a total consideration of €3.5 million.

Since 2009, for purposes of preserving the independence of auditing firms that do business with the Group, a special procedure was formalized for regulating the appointment of such auditing firms and entities belonging to their networks by companies belonging to the Group. In accordance with the amendments made to this procedure in September 2012, the Board of Statutory Auditors expresses a preliminary binding opinion (or, in situations in which such appointments in no way compromise the auditing firm's independence, receives periodic updates) on the assignment by companies belonging to the Group of additional mandates other than the main auditing mandate and which would not be found incompatible by law – to the Group's main external auditor or to entities belonging to the auditor's network. The assignment of

such additional mandates is allowed only in certain circumstances of proven necessity (from a legal, economic or service quality standpoint).

Oversight of the Court of Auditors

The Court of Auditors oversees the financial management of Enel, availing itself for this purpose of an appointed magistrate. During 2012, this role was performed by the delegated judge Francesco Paolo Romanelli. In January 2009, the Board of Directors resolved to pay the magistrate appointed by the Court of Auditors an attendance allowance of €1,000 for each meeting of corporate bodies attended. This position was confirmed by the Board of Directors in June 2011.

The magistrate appointed by the Court of Auditors attends the meetings of the Board of Directors and the Board of Statutory Auditors. The Court of Auditors presents an annual report on the results of the oversight performed to the office of the President of the Senate and the office of the President of the House of Deputies.

Executive in charge of preparing the corporate accounting documents

In 2012, the role of executive in charge of preparing Enel's corporate accounting documents was held by the head of the Accounting, Finance and Control Department (Luigi Ferraris) who was appointed to such position by the Board of Directors (after consultation with the Board of Statutory Auditors) since June 2006. Such executive meets the professionalism requisites provided under the Company's bylaws.

The duty of this executive is to establish appropriate administrative and accounting procedures for the preparation of the separate financial statements and the consolidated financial statements, as well as all other financial documents.

The Board of Directors ensures that this executive has adequate powers and means, seeing that the administrative and accounting procedures that he establishes are actually

observed.

The executive in question issues a declaration that accompanies the corporate documents and communications released to the market regarding financial information, including interim information, and certifies that such information corresponds to what is recorded in the Company's documents, account books, and book entries.

Together with the Chief Executive Officer, the aforesaid executive also certifies in a specially provided report regarding the separate financial statements, the consolidated financial statements, and the half-year financial report: (i) the adequacy and actual application of the aforesaid administrative and accounting procedures during the period to which such accounting documents refer; (ii) the compliance of the contents of these documents to the international accounting standards applicable within the European Union; (iii) the correspondence of the aforesaid documents to the accounting records and their suitability for providing a true and fair view of the Company's and the Group's balance sheet, income statements, and cash flows; (iv) that the report on operations accompanying the stand-alone financial statements and the consolidated financial statements contain a reliable analysis of the performance and results of the year, as well as of the situation of the Company and the Group, together with a description of the main risks and uncertainties to which they are exposed; (v) that the interim report on operations included in the half-year financial report contains a reliable analysis of the most important events that occurred during the first six months of the period, together with a description of the main risks and uncertainties in the remaining six months of the period and information on the significant transactions with related parties.

The contents of the certification that the executive in question and the Chief Executive Officer must issue in accordance with the foregoing are set by CONSOB through a specific regulation.

Internal control and risk management system

With regard to internal control and risk management, for the past several years the Group has had in place a specific system, consisting of a set of rules, procedures and organizational structures aimed at allowing for the identification, measurement, management and monitoring of the

Group's main risks. The mission of such system consists in (i) checking the appropriateness of Group procedures in terms of effectiveness, efficiency, and costs, (ii) ensuring the reliability and correctness of accounting records, as well as the safeguard of Company and Group assets, and (iii) ensuring that operations comply with internal and external regulations, as well as with the corporate directives and guidelines for sound and efficient management. The Group's internal control and risk management system is divided into three distinct areas of activity:

- > line auditing (or first level), which consists of all the auditing activities that the individual operating units or Group companies carry out on their own processes. Such auditing activities are primarily the responsibility of operating executives and are considered an integral part of every corporate process;
- > the second level controls, which are assigned to (i) the management control function (which is part of ENEL's "Accounting, Finance and Control" function) with regard to the monitoring of the business-financial trend of the Company and of the Group, and (ii) Enel's Risk Management function with regard to elaboration of policies aimed at managing the main risks (concerning, for example, the interest and exchange rates and the commodities risk);
- > internal auditing, meaning activities of general verification on the structure and functioning of the internal controls assigned to the Company's "Audit" function. Such activities are aimed essentially at the identification and containment of corporate risks of any kind. This objective is pursued through the monitoring of line auditing, in terms of both the appropriateness of the audits themselves and the results actually achieved by their application. This activity is therefore applied to all corporate processes of the Company and the Group companies. The personnel in charge of such activity is responsible for both indicating the corrective actions deemed necessary and carrying out follow-up actions aimed at checking the results of the measures suggested.

The responsibility for adopting an adequate internal control and risk management system consistent with the reference models and existing national and international best practice is entrusted to the Board of Directors.

Based upon what was decided in December 2012 when the Company implemented the new internal control and risk management system set forth in the edition of the Corporate Governance Code published in December 2011, in the first place the Board of Directors identifies

within the Board one or more directors in charge of establishing and maintaining an effective internal control and risk management system. In particular, in December 2012, the Board of Directors confirmed the Chief Executive Officer as director in charge of the internal control and risk management system (who, starting in July 2011 already held the role of sole executive director in charge of overseeing the functioning of the internal control system).

In addition, the Board of Directors, having obtained the Control and Risk Committee's opinion:

- > defines the guidelines of the internal control and risk management system in a way allowing the main risks regarding the Company and its subsidiaries be correctly identified, measured, managed, and monitored, and also determines the level of compatibility of such risks with corporate management that is in line with the strategic targets identified. It should be observed in this regard that in February 2013 the Board of Directors, after reviewing the content of an analysis document prepared by the Enel's "Accounting, Finance and Control" function with support from the "Risk Management" function, and after acknowledging the opinion expressed in such regard by the Control and Risk Committee, has assessed the compatibility of the main risks related to the strategic targets set forth in the 2013-2022 business plan with a management of the Company that is in line with such targets;
- > evaluates, at least on annual basis, the adequacy of the internal control and risk management system taking into account the characteristics of the Company's business and the types of risks taken, as well as its effectiveness. It should be noted that in February 2013 the Board of Directors expressed a positive evaluation in this respect;
- > approves, at least on annual basis, the work plan prepared by the head of the "Audit" function, after consulting with the Board of Statutory Auditors and the director in charge of the internal control and risk management system. It should be noted in this regard that, in February 2013, the Board of Directors approved the audit plan for the same year; as regards 2012, the audit plan was reviewed by the internal control committee, in line with the recommendations set forth in the edition of the Corporate Governance Code published in March 2006;
- > assesses, after consulting with the Board of Statutory Auditor, the results published by the auditing firm in its letter of suggestions (referred to as the "management

letter”), if any, and in the report on fundamental issues that have emerged over the course of the legal audit. It should be noted that, over the course of 2012, the management letter from the auditing firm referring to the financial statements of the Company and the Group for the year 2011 was assessed by the Control and Risk Committee in accordance with the recommendations set forth in the edition of the Corporate Governance Code published in March 2006; starting in 2013, the management letter, if any, and the report on fundamental issues that may emerge over the course of the legal audit will be assessed by the Board of Directors, after obtaining the Control and Risk Committee’s opinion and after consulting with the Board of Statutory Auditors.

Lastly, the Board of Directors, on the basis of a proposal formulated by the director in charge of the internal control and risk management system in agreement with the Chairman, and upon receiving a favourable opinion from the Control and Risk Committee and after consulting with the Board of Statutory Auditors, appoints and removes the head of the “Audit” function and determines his compensation in accordance with the Company’s policies and ascertains that the person in question is endowed with resources adequate for the performance of his duties.

The director in charge of the internal control and risk management system, in turn:

- > oversees the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and then submits them periodically to the Board of Directors for examination;
- > implements the guidelines established by the Board of Directors, overseeing the planning, implementation, and management of the internal control and risk management system and continuously monitoring its overall adequacy and effectiveness.
- > supervises the adaptation of the internal control and risk management system to the dynamics of operating conditions and the applicable legal framework;
- > asks the “Audit” function to perform checks on specific operational areas and to monitor the compliance with internal rules and procedures in the performance of corporate transactions, providing simultaneous update to the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- > reports in a timely manner to the Board of Directors on

any problems and issues faced over the course of his/her activities or that may come to his/her attention, enabling the Board to take any opportune initiatives.

The head of the “Audit” function (which role was held in 2012 by Francesca Di Carlo, who has been the head of such function since January 2008):

- > is in charge of verifying, both on an on-going basis and with regard to specific needs, in compliance with international standards, the functioning and suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors and based upon a structured process of analysis and identification of the priorities concerning the main risks;
- > is not in charge of any specific operational area and, from a hierarchical standpoint, reports to the Board of Directors. Without prejudice to such hierarchical reporting line, the Board of Directors has assigned to the director in charge of the internal control and risk management system the task of managing the relationship with the head of the “Audit” function;
- > has direct access to all the information that may be useful for the performance of his or her duties;
- > drafts periodic reports containing adequate information on his/her activities, on the processes followed for the risks management and on compliance with the plans for risk containment purposes. The periodic reports contain an assessment on the adequacy of the internal control and risk management system;
- > promptly prepares reports on any particularly material events;
- > transmits his/her reports on particularly material events to the Chairmen of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, and to the director in charge of the internal control and risk management system;
- > verifies, as part of the audit plan, the reliability of disclosure/reporting systems, including the accounting disclosure/reporting systems.

It should be noted that in 2012, a specific “Risk Management” function was in place within the Company (established in June 2009), having the mission of ensuring the effective implementation at the Group level of a process for the analysis and monitoring of all financial, operating, strategic and business risks having a material impact, as well as the main risks that could, in any manner, impact on the financial condition or the results of operations of the Company or the Group.

The procedures for implementing the organizational model entitled "One Company", which was adopted within the Group in 2012 and which is aimed at simplifying, rationalizing and harmonizing the Group's processes, envisage modalities aimed at the coordination of the majority of the above-mentioned persons involved in the internal control and risk management system, with a view to maximizing the efficiency of the system and reducing duplications in work performed.

The system of risk management and internal control of financial information

The Group has had in place for the last several years a specific internal control and risk management system focusing on financial disclosure (referred to in this section, in short, as the "System") which governs the preparation of the Company's annual financial statement, the Group's consolidated financial statement and the Group's consolidated half-year report. The purpose of such System is to ensure the reliability of the financial disclosure and the adequacy of the process of drafting the above-mentioned financial documents in order to have a disclosure compliant with the international auditing standards accepted in the European Community.

Overall, this System is defined as the set of activities intended to identify and assess the actions or events whose materialization or absence could compromise, partially or entirely, the achievement of the objectives of the control system ("Risk Management System"), supplemented by the subsequent activities of identifying the controls and defining the procedures that ensure the achievement of the objectives of credibility, accuracy, reliability, and timeliness of financial information ("Internal Control System"). The executive in charge of preparing the corporate accounting documents supervised the development and execution of a special set of procedures – which all the personnel concerned has been informed of – which records the methods adopted and the responsibilities of the aforesaid personnel as part of the activities of maintaining and monitoring the System. Specifically, the Group set a procedure that regulates the reference model and a procedure that describes the process of managing such System and also defines roles and responsibilities within the Company's organization, providing for a specific flow of internal certifications.

The controls established have been monitored to check both their design (i.e., that the control is potentially adequate to mitigate the identified risk in an acceptable way) and their actual effectiveness.

The management responsible for the processes and controls and the Company's "Audit" function are entrusted with responsibilities regarding the periodic monitoring of the System.

The System is structured in accordance with the "Internal Controls - Integrated Framework" model issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as the "COSO Report"), which consists of five components (control, risk assessment, control activities, disclosure systems and information/communication flows and monitoring activities) which, depending upon their characteristics, operate at both the organizational entity level and the operating process level. The COSO Report has been supplemented with regard to the IT aspects by the model "Control Objectives for Information and related Technology" (the so-called "COBIT"). Furthermore, the internal controls concerning proper book-keeping provided for in section 404 of the Sarbanes-Oxley Act are applied by some Latin-American companies of the Group having American Depositary Shares ("ADS") listed on the New York Stock Exchange. The process of defining, implementing and managing the System, which is progressively extended to cover newly acquired material companies, is divided into the following phases:

- > definition of the perimeter of the companies, processes/risks and controls and communications of methodologies and instructions;
- > mapping and updating of processes, risk assessment and definition of controls, quality assurance and identification and updating of Primary Key Controls (using the Top-Down Risk-Based Approach);
- > assessment of the design and effectiveness of the controls (referred to as "line monitoring" through self-assessment);
- > independent monitoring, entrusted to the Company's "Audit" function;
- > assessment of gaps, approval and monitoring of corrective measures;
- > consolidation of results and overall assessment of the System, in order to finalize the final certification letters to be issued by the Chief Executive Officer and the executive in charge of preparing the corporate accounting documents regarding separate financial statements, consolidated financial statements and the

half-year financial report, supported by a reporting flow of internal certification letters;

- > publication of administrative and accounting procedures.

The perimeter of the Group companies to be included in the assessment is determined with regard to the specific level of risk, in both quantitative terms (for the level of materiality of the potential impact on the consolidated financial statements) and qualitative terms (taking into account the specific risks connected with the business or the process).

For the definition of the System, first of all a Group-level, risk assessment was carried out in order to identify and evaluate the actions or events whose materialization or absence could compromise the achievement of the control system's objectives (for example, claims in the financial statements and other control objectives connected with financial information). The risk assessment was also conducted with regard to the risks of fraud.

Risks are identified at both the entity level and the process level. In the former, the risks identified are considered in any case to have a significant impact on financial information, regardless of the likelihood of their occurrence. Process-level risks, on the other hand, are assessed – regardless of relevant controls (so called "*valutazione a livello inerente*") – in terms of potential impact and the probability of occurrence, on the basis of both qualitative and quantitative elements.

Following the identification and assessment of the risks, controls were established that are aimed at reducing to an acceptable level the risk connected with the failure to achieve the objectives of the System, at both the entity and the process levels.

The entity level controls are classified in compliance with the five above-mentioned components referred to in the COSO Report.

With a view to improving the efficiency of the System and its sustainability over time, the specific controls have been sub-divided into standard controls and key controls, meaning controls that are decisive for purposes of preventing false representations in accounting documents. As part of the System, over-arching structural controls are identified, meaning structural elements of the control system aimed at defining a general context which promotes the proper execution and control of operating activities. In particular, over-arching structural controls are those related to the segregation of incompatible duties (known as "segregation of duties"), which aims to ensure that tasks and duties

that could facilitate the commission and/or concealment of frauds/errors are not concentrated with the same person. Where activities are carried out with the support of IT systems, the proper segregation is verified also with regard to the assigned roles and usernames.

Within the scope of the companies identified as significant, the processes at greatest risk were defined and assessed and the top-down risk-based approach was applied. In accordance with this approach, the Company then identified and assessed the risks with the greatest impact and the related controls, both general and specific, aimed at reducing the possibility of the aforesaid risks occurring to an acceptable level.

In order to assess the appropriateness of the System, every six months, specific monitoring is conducted by the process managers (that is, the individuals in charge of the activities, risks and controls) aimed at testing the design and effectiveness of each of the controls identified.

For each corporate process assessed, an appropriate documentation (referred to as "administrative and accounting procedures") is kept for the purpose of describing roles and responsibilities and the flows of data and information, as well as the key points of control.

The Company's "Audit" function is entrusted with the task of performing an assessment of the controls subject to independent monitoring.

The findings of the assessments performed are notified to the executive in charge of preparing the corporate accounting documents through specific periodic flows of summarized information (so called "reporting"), which classify any deficiencies in the effectiveness and/or design of the controls – with regard to their potential impact on financial information – into simple deficiencies, significant weaknesses, or material deficiencies.

In the event the assessments carried out reveal deficiencies, the aforesaid information flows also report the corrective actions that have been or will be undertaken to allow the objectives of the credibility, accuracy, reliability, and timeliness of financial information to be achieved.

These flows are also used for the periodic disclosure/updates on the adequacy of the System, provided by the executive in charge of preparing the corporate accounting documents to the Board of Statutory Auditors, the Control and Risk Committee, and to the auditing firm.

On the basis of the aforesaid reports, and taking into account the certification issued by the heads of each corporate unit concerned, the executive in charge of preparing corporate accounting documents, together with the Chief

Executive Officer, issues a special certification regarding the adequacy and actual application of the administrative and accounting procedures established for the preparation of the separate financial statements, the consolidated financial statements, or the half-year report (depending upon the relevant document in question from time to time).

Following the monitoring activities performed by the persons handling the processes, aimed at verifying the structure and functioning of the processes/sub-processes assigned to them, and the related controls identified, the documents comprising the administrative and accounting procedures (narratives, flow charts and list of controls) are extracted from the support system in order to proceed with the formalization of the same. The administrative and control procedures are then issued by the executive in charge of preparing corporate accounting documents and are published on the Company's intranet.

In order to ensure the proper application of the methodology described above, over the course of 2012, specific training sessions have been held aimed at both the structures that handle the internal controls over the Group's financial disclosure and the persons who handle the processes involved in the line monitoring (850 users out of a total of 2000), which are expected to be completed in 2013.

Non-EU foreign subsidiaries

With reference to year 2012, in March 2013, the Control and Risk Committee checked that the Group was consistently complying with the regulations, established by CONSOB as part of its Market Regulation, regarding accounting transparency, as well as the adequacy of the organizational structure, and the internal control systems of subsidiaries set up and regulated under the law of non-EU countries (hereinafter, for the sake of brevity, referred to as "non-EU foreign subsidiaries").

In particular, the following should be noted in this regard:

> according to the data contained in the financial statements as of December 31, 2011 and in application of the parameter concerning material significance for consolidation purposes provided under the CONSOB's Market Regulation, 15 non-EU foreign subsidiaries were identified within the Enel Group to which the regulations were applicable for 2012. Reference is made, in

particular, to the following companies, 14 of which were already subject to the legal framework during the year 2011, are: 1) Ampla Energia e Serviços SA (a Brazilian company); 2) Chilectra SA (a Chilean company); 3) Compañía Distribuidora y Comercializadora de Energía - Codensa SA ESP (a Colombian company); 4) Companhia Energética do Ceará - Coelce SA (a Brazilian company); 5) Edegel SA (a Peruvian company); 6) Emgesa SA ESP (a Colombian company); 7) Empresa de Distribución Eléctrica de Lima Norte - Edelnor SAA (a Peruvian company); 8) Empresa Distribuidora Sur - Edesur SA (an Argentinian company); 9) Empresa Nacional Electricidad - Endesa Chile SA (a Chilean company); 10) Endesa Brasil SA (a Brazilian company); 11) Endesa Capital Finance LLC (a US company); 12) Enel Fortuna SA (a Panamanian company); 13) Enel Green Power North America Inc. (a US company); 14) Enersis SA (a Chilean company); and 15) Enel OGK-5 OJSC (a Russian company);

- > the balance sheet and income statement for 2012 of all the above companies, as included in the reporting package used for the preparation of the Enel Group's consolidated financial statements for 2012, will be made available to the public by Enel at its registered office and on its corporate website at least 15 days before the date set for the Shareholders' Meeting convened for the approval of the 2012 financial statements of Enel, together with the summary reports regarding the main data of the last financial reports of the subsidiaries and affiliated companies;
- > the bylaws and the composition and powers of the corporate bodies of the above companies were obtained by Enel and are available to CONSOB, in updated form, where the latter should so request for supervisory purposes;
- > Enel has ensured that all the above companies: (i) provide the external auditor of the Parent Company with the information necessary to perform the annual and interim audits of Enel; (ii) use an administrative and accounting system appropriate for regular reporting to the management and the external auditor of Enel of the income statement, balance sheet and financial data necessary for the preparation of the Group's consolidated financial statements.

Transactions with related parties

In 2012, a procedure has been implemented within the Group aimed at governing the approval and conclusion of related party transactions carried out by Enel, either directly or through its subsidiaries, in order to ensure the transparency and fairness of such transactions from both a substantive and procedural/formal standpoint. Such procedure was approved by the Board of Directors in November 2010 in compliance with the requirements imposed by CONSOB through a specific regulation issued in March 2010.

In accordance with such procedure, transactions with related parties concluded directly by Enel may be sub-divided into the following three categories:

- > transactions of "major importance", which are those exceeding a specific quantitative threshold (equal to 5%) of three relevance indexes, that take into account the equivalent-value of the transaction, of the assets of the entity which is the target of the transaction and of the liabilities of the entity acquired. Such transactions, if not subject to the approval of the Shareholders' Meeting pursuant to the bylaws or applicable laws, are necessarily subject to the Board of Director's examination and approval;
- > transactions of "minor importance", which are defined as those transactions other than the transactions of major importance and transactions for small amounts. Such transactions, if not subject to the approval of the Shareholders' Meeting pursuant to the bylaws or applicable laws, are approved by the competent person/body in accordance with the applicable Company's powers structure in force from time to time;
- > transactions for "small amounts", that are those characterized by an equivalent-value lower than specific thresholds, distinguished depending on the category of related parties with whom the transactions are executed. The procedure does not apply to transactions for small amounts.

In order to allow the Related Parties Committee to express a previous reasoned opinion on Enel's interest in the completion of such transactions, as well as the advantageousness and substantial fairness of the relevant conditions, the procedure determines specific information flow. In particular:

- > for transactions of minor importance, the Company's

Chief Executive Officer or the proposing function, through the "Legal and Corporate Affairs" function, provides to the Related Parties Committee, in reasonable advance and, in any case, in general, at least 10 days before the date of the issue of the opinion released by the committee itself, complete and adequate information about each transaction of minor importance, providing any appropriate updates thereof;

- > for transactions of major importance, the Company's Chief Executive Officer, through the "Legal and Corporate Affairs" function, provides to the Related Parties Committee, promptly – and, in any case within the day following the date in which the Board of Directors of Enel has been informed for the first time – complete and adequate information regarding each transaction of major importance, providing any appropriate updates thereof. The Related Parties Committee, or one or more of its delegated members, may require information and make comments to the Chief Executive Officer of Enel and to those persons in charge of the negotiations or the inquiry regarding aspects which are the subject-matter of the information flows, as well as require any other information deemed to be useful for the assessment of the transaction.

With regard to the effectiveness/nature of the opinion issued by the Related Parties Committee the procedure provides that:

- > for the transactions of minor importance, such opinion is not binding. Nevertheless, Enel shall make available to the public, within fifteen days after the close of each quarter, a document containing an indication of the counterpart, of the object and the consideration of the transactions of minor importance approved in the reference quarter in the presence of a negative opinion of the Related Parties Committee, as well as of the reasons why it was deemed suitable not to share that opinion;
- > for the transactions of major importance, if the Related Parties Committee issues a negative opinion, the Board of Directors of the Company, if set forth in the bylaws of the Company (introduced during the Extraordinary Shareholders' Meeting held on April 29, 2011), may submit the transaction of major importance to the Ordinary Shareholders' Meeting for its authorization. The Shareholders' Meeting, without prejudice to the majorities required by law, bylaws and provisions applicable in case of conflict of interest, approves its resolution with the favourable vote of at least half of the voting unrelated shareholders (referred to as a "whitewash"). In any case,

the completion of transactions of major importance is prevented only if the unrelated shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights.

In compliance with applicable laws, if the relation exists with a director of the Company or with a party related through him, the interested director shall promptly notify the other directors and statutory auditors of the nature, the terms, the origin and the range of its interest.

If, on the other hand, the relationship exists with the Company's Chief Executive Officer or with a related party linked to him, in addition to the above, he will abstain from the execution of the transaction, and entrust the Board of Directors with executing the transaction.

If the relation exists with one of the regular statutory auditors of the Company or with a related party by means of them, the interested auditor promptly notifies the other auditors and the Chairman of the Board of Directors of the nature, the terms, the origin and the range of its interest. The procedure provides that the resolutions with which the Board of Directors of the Company approves the transactions with related parties, both of major importance and of minor importance – or, in the latter case, the decisions of the competent delegated body – shall bear adequate reasons about the advantageousness of Enel in the completion of the transactions and the advantageousness and substantial correctness of their underlying terms.

Furthermore, the procedure sets that the Chief Executive Officer of Enel, in the periodical report concerning the activities carried out in execution of the powers granted to him, provides the Board of Directors and the Board of Statutory Auditors, at least quarterly, with specific information regarding the execution of transactions of both major importance and minor importance.

A specific procedure is prescribed for transactions with related parties carried out by Enel not directly but through subsidiaries. In such cases it is set forth that the Board of Directors of the Company, or the competent delegated body on the basis of the structure of powers in force from time to time, make – with the prior non-binding opinion of the related parties committee – a previous assessment of the transactions with related parties carried out by companies directly and/or indirectly controlled by Enel which fall within one or more of the following categories:

> atypical or unusual transactions, by which is meant ones that because of their significance/importance, nature of the counterparties, their object, the way in which the transfer price is determined, the timing of

the events (i.e. proximity of the closing of the financial year) may give rise to doubts with regard to the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguard of the Company's assets, or the protection of minority shareholders of Enel;

> transactions whose equivalent-value exceeds €25 million, with the exception of those transactions excluded from the scope of application of the procedure (details follow below).

As observed above with reference to the transactions of minor importance carried out directly by Enel, also for the transactions carried out through subsidiaries it is provided that, if the Board of Directors of the Company, or the competent delegated body on the basis of the applicable structure of powers in force from time to time, has issued a favourable opinion concerning the carrying out of transactions of subsidiaries which are relevant for the purposes of the procedure, although the Related Parties Committee issued a negative opinion, Enel shall make available to the public a specific document containing the reasons for disregarding such opinion.

Pursuant to CONSOB regulations, the following transactions with related parties are excluded from the scope of application of the procedure:

- a) Shareholders' Meetings resolutions in relation to the establishment of the compensation due to all the members of the Board of Directors and of the Board of Statutory Auditors;
- b) the transactions for small amounts, as identified in the procedure itself;
- c) the compensation plans based on financial instruments, approved by the Shareholders' Meeting pursuant to the provisions of the Consolidated Financial Act and its executive operations;
- d) resolutions other than those indicated under letter a), in relation to the remuneration of the Company's directors holding a special office, together with the remuneration of key executives of companies of the Group, provided that:
 - Enel has adopted a remuneration policy;
 - in the definition of the remuneration policy, a committee consisting solely of non-executive directors – the majority of whom shall be independent – has been involved;
 - a report illustrating the remuneration policy has been submitted for advisory vote of the Shareholders' Meeting of Enel;

- the remuneration awarded is consistent with this policy;
- e) regular transactions completed at market-equivalent or standard terms;
- f) transactions with or between companies controlled, even jointly, by Enel, as well as transactions with companies affiliated with Enel, provided that in the controlled or affiliated companies that are counterparties to the transaction no significant interests (as identified in the procedure) of another Enel's related party exist.

Lastly, a simplified procedure for the approval of related parties transactions, that are not attributed to the Shareholders' Meeting, is also provided in case of urgency, it being understood that a subsequent non-binding vote concerning such transactions by the first Ordinary Shareholders' Meeting of the Company is required.

Processing of corporate information

In 2012, the Group applied special rules for the internal management and processing of confidential information, which also contain the procedures for the external circulation of documents and information concerning the Company and the Group, with particular reference to privileged information. Under such rules, which were approved by the Board of Directors in February 2000 (and most recently amended in December 2012), the directors and statutory auditors are required to keep confidential the documents and information acquired in carrying out their duties.

The rules are aimed at keeping confidential information secret, while at the same time ensuring that the information regarding the Company and the Group disclosed to the market is correct, complete, adequate, timely, and non-selective.

The rules entrust Enel's Chief Executive Officer and the Chief Executive Officers of the Group companies with the general responsibility of managing the confidential information concerning their respective spheres of authority, establishing that the dissemination of confidential information regarding individual subsidiaries must in any case be agreed upon with the Enel's Chief Executive Officer.

The rules also establish specific procedures to be followed in circulating information regarding the Company and the Group outside the Group – with particular emphasis on privileged information – and carefully regulate the ways in

which Company and Group representatives enter into contact with the press and other mass media, as well as financial analysts and institutional investors.

In 2012, in compliance with the provision of the Consolidated Financial Act and the Issuers Regulation issued by CONSOB, Enel has kept regularly updated the Group register for all individuals and legal entities with access to privileged information through the exercise of his or her employment, profession or duties on behalf of the Company or the other companies belonging to the Group. The purpose of this register is to make the persons recorded therein aware of the value of the privileged information at their disposal, while at the same time facilitating CONSOB's supervision of compliance with the regulations provided to safeguard market integrity.

In 2012, in compliance with the provisions of the Consolidated Financial Act and the Issuers Regulation issued by CONSOB, the legal framework on internal dealing continued to apply to the Group. Such legal framework concerns the transparency of transactions involving the Company's shares and related financial instruments carried out by its largest shareholders, representatives/exponents, and persons closely connected with them.

In particular, in 2012, the legal framework on internal dealing applied to the purchase, sale, subscription and exchange of the shares of Enel and of the subsidiaries Endesa SA and Enel Green Power SpA, and of financial instruments connected with them, by important persons. This category includes shareholders who own at least 10% of the Company's share capital, the directors and regular statutory auditors of Enel, the directors of the subsidiary Endesa SA, as well as 28 other managerial positions identified in Enel and Endesa SA in accordance with the relevant regulations, insofar as they have regular access to privileged information and are authorized to make managerial decisions that could influence Enel's and the Group's development and prospects.

The obligations of transparency apply to all the aforesaid transactions whose total value is at least €5,000 in a given year, even if carried out by persons closely connected with the important persons.

In enacting measures to implement the aforesaid regulations, the Board of Directors considered it advisable to provide that important persons (other than the shareholders who possess an interest amounting to or exceeding 10% of the Company's share capital) are obliged to abstain from carrying out transactions subject to the regulations regarding internal dealing during two blocking periods, lasting

approximately one month each, around the time the Board of Directors approves the Company's proposed separate financial statements and the half-year report.

This initiative was prompted by a desire to improve the Company's governance standards with respect to the relevant regulations, through the adoption of a measure and aimed at preventing the carrying out of transactions by important persons that the market could perceive as suspect, because they are carried out during periods of the year that are especially sensitive to corporate information.

Relations with institutional investors and shareholders in general

Ever since the listing of its shares on the stock market, the Company has deemed it appropriate for its own specific interest, as well as its duty with respect to the market, to establish an ongoing dialogue based on mutual understanding of their respective roles, with its shareholders in general, as well as with institutional investors. Such dialogue, in any case, was to take place in accordance with the rules and procedures that regulate the divulgation of privileged information.

In this regard, in consideration of the size of the Group, it was deemed that such dialogue could be facilitated by the creation of dedicated corporate units.

The Company therefore created (i) an investor relations unit, which is currently part of its "Accounting, Finance, and Control" function, and (ii) a unit within the "Legal and Corporate Affairs" function in charge of communicating with shareholders in general.

It was also decided to further enhance communication with investors through the creation of a special section of the Company's website (www.enel.com, investor section), providing both financial information (financial statements, half-year and quarterly reports, presentations to the financial community, analysts' estimates, and information on trading of the shares issued by Enel and its main listed subsidiaries) and up-to-date data and documents of interest to shareholders in general (press releases, the members of Enel's boards, the Company's bylaws and Shareholders' Meetings regulations, information and documents regarding Shareholders' Meetings, documents regarding its corporate governance and code of ethics).

Shareholders' Meetings

The recommendation contained in the Corporate Governance Code to consider Shareholders' Meetings as important occasions for discussion between a company's shareholders and its Board of Directors (even considering a wide range of different communication channels in place between listed companies and shareholders, institutional investors, and the market) was carefully assessed and fully accepted by the Company, which, in addition to ensuring the regular attendance of its directors at Shareholders' Meetings, deemed it advisable to adopt specific measures to adequately enhance such meetings. In particular, reference is made to the provision of the Company's bylaws aimed at enhancing proxy solicitation among the employee shareholders of the Company and its subsidiaries and at facilitating their participation in the decision-making process at Shareholders' Meetings (this provision is specifically described in the first part of the report, under "Ownership structure" – "Employee shareholdings: mechanism for exercising voting rights").

The applicable law regarding the functioning of the shareholders' meetings of listed companies, provided in the Civil Code, in the Consolidated Financial Act and in the implementing regulations adopted by CONSOB, was significantly amended after the enactment of Legislative Decree 27 of January 27, 2010, which implemented in Italy Directive 2007/36/EC (concerning the enforcement of certain shareholders' rights in listed companies), as well as subsequent corrections approved by Legislative Decree 91 of June 18, 2012. Such measures have modified, *inter alia*, the laws regarding the terms for the shareholders' meetings, the number of meetings, quorums, the exercise on the part of minority shareholders of the right to convene the meeting and to put items on the agenda, the information provided before the meeting, representation at the meeting, identification of shareholders and introduction of the record date with the aim of identifying entitlement to attend and vote at the meeting.

Some of the most significant new regulations introduced by Legislative Decrees 27/2010 and 91/2012 are briefly illustrated below, together with some articles of Enel's bylaws dedicated to Shareholders' Meetings.

It should be preliminarily noted that the Shareholders' Meeting is competent to resolve, in both ordinary and extraordinary sessions, upon, among other things: (i) the appointment and removal of members of the Board of

Directors and of the Board of Statutory Auditors, determining their compensation and liability; (ii) the approval of the financial statements and the allocation of the net income; (iii) the purchase and sale of own shares; (iv) the stock-based compensation plans; (v) the amendments to the bylaws; (vi) the issue of convertible bonds.

On the basis of the Enel's bylaws, Ordinary and Extraordinary Shareholders' Meetings are held in single session, are convened and resolve with the majorities prescribed by applicable laws and are normally held in the municipality where the Company's registered office is located; the Board of Directors may determine otherwise, provided the venue is in Italy. The Ordinary Shareholders' Meeting must be convened at least once per year within one hundred and eighty days after the end of the accounting period, for the approval of the financial statements.

The Consolidated Financial Act provides that entitlement to attend and vote in the Shareholders' Meeting must be certified by a notice to the person entitled to vote, sent to the issuer by the intermediary and issued on the basis of the accounting records at the end of the seventh trading day prior to the scheduled date of the Shareholders' Meeting (so called "record date").

Those entitled to vote may ask questions on the items on the agenda before the Shareholders' Meeting by the deadline indicated in the notice of call. Such questions will be answered no later than during the meeting.

Shareholders may also notify electronically their proxies to the Company, by sending the proxies through the specific section of the Company's website indicated in the notice of the meeting. Shareholders may also be represented in the meeting by a representative in conflict of interest, provided that (i) the latter has communicated in writing to the shareholder the circumstances giving rise to the conflict of interest and (ii) specific voting instructions were given for each resolution in respect of which the representative has to vote on behalf of the shareholder.

Pursuant to the Consolidated Financial Act and the Enel's bylaws, shareholders are also entitled to grant to a representative appointed by the Company a proxy with voting instructions upon all or specific items on the agenda, that must be sent to the interested person no later than the end of the second trading day before the date set for the Shareholders' Meeting; this proxy, the costs of which shall not be borne by the shareholders and which must be filled out through a schedule prepared by CONSOB, is valid only for those proposals in relation to which voting instructions were given.

On the basis of the Consolidated Financial Act and the related implementing provisions issued by CONSOB, Enel's bylaws empower the Board of Directors to provide for, with respect to single Shareholders' Meetings and taking into account the reliability of any such electronic means, the possibility of participating by electronic means, specifying the conditions for such participation in the notice of call.

Shareholders' Meetings are governed, in addition to the law and bylaws, by specific rules the contents of which are in line with models prepared by a number of professional associations (Assonime and ABI) for listed companies.

Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, in the event of his absence or impediment, by the Deputy Chairman, if appointed, or if both are absent, by a person designated by the Board, failing which the meeting shall elect its own Chairman. The Chairman of a Shareholders' Meeting shall be assisted by a secretary, except if the drafting of the minutes is entrusted to a notary public.

The Chairman of a Shareholders' Meeting, among other things, verifies that the meeting is duly constituted, and verifies the identity and entitlement of those attending, regulates the proceedings and ascertains the voting results.

The resolutions of the meeting shall be recorded in minutes signed by the Chairman and the secretary or public notary. The minutes of Extraordinary Shareholders' Meetings shall be drafted by a public notary.

As regards the right of each shareholder to request the floor to speak on the matters in the agenda, the Shareholders' Meetings regulation provides that the Chairman, taking into account the nature and the importance of the specific matters under discussion, as well as the number of those requesting the floor and the possible questions asked by shareholders before the Shareholders' Meeting to which no reply was given by the Company, shall predetermine the time limits for speaking from the floor and for rejoinders – normally no more than ten minutes for the former and five minutes for the latter – in order to ensure that the meeting is able to conclude its business at one sitting. All those entitled to vote may request the floor to speak on each of the matters under discussion only once, making observations, requesting information and making proposals. Requests for the floor may be presented from the time the quorum is determined and – unless the Chairman sets a different deadline – until the Chairman closes the discussions on the matter in question. The Chairman

and, at his or her request, those who assist him or her, shall reply to participants who speak on matters being discussed after all of them have spoken or after each one has spoken. Those who have requested the floor shall be entitled to a brief rejoinder.

Code of Ethics

Awareness of the social and environmental effects that accompany the activities carried out by the Group, as well as consideration of the importance of both a cooperative approach with stakeholders and the good reputation of the Group (in both internal and external relations) inspired the drawing up of the Group's Code of Ethics, which was approved by the Company's Board of Directors since March 2002 (and updated, most recently, in February 2010).

The code expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate behaviour in accordance with standards calling for maximum transparency and fairness for all stakeholders. Specifically, the Code of Ethics consists of:

- > general principles regarding relations with stakeholders, which define the principal values guiding the Group in the conduct of its business operations. Among the aforesaid principles, specific mention should be made of the following: honesty, impartiality, confidentiality, the creation of value for shareholders, the value of human resources, the transparency and completeness of information, service quality, and the protection of the environment;
- > criteria of behaviour towards each class of stakeholders, which specify the guidelines and rules that Enel's officers and employees must follow in order to ensure observance of the general principles and prevent the risk of unethical actions;
- > implementation mechanisms, which describe the control system devised to ensure observance of the code of ethics and its continual improvement.

Compliance program pursuant to Legislative Decree 231 of June 8, 2001

Since July 2002, the Company's Board of Directors has adopted a compliance program in accordance with the requirements of Legislative Decree 231 of June 8, 2001, which introduced into the Italian legal system a regime of administrative (but in fact criminal) liability with respect to companies for several kinds of crimes committed by their directors, executives, or employees in the interest of or to the benefit of the companies themselves.

The contents of the aforesaid program is consistent with the guidelines on the subject established by industry associations and with the best practice of the United States and represents another step towards strictness, transparency, and a sense of responsibility in both internal relations and those with the external world. At the same time, it offers shareholders adequate assurance of efficient and fair management.

The compliance program in question consists of a general part (in which are described, among other things, the content of Legislative Decree 231/2001, the objectives of the program and how it works, the duties of the control body responsible for supervising the functioning of and compliance with the program and seeing to its updating, the information flow, the training of the employees and the penalty regime) and separate special parts concerning the different kinds of crimes provided for by Legislative Decree 231/2001, which the aforesaid program aims to prevent.

In particular, the special parts elaborated so far concern crimes against the public administration, corporate crimes, crimes related to terrorism or subversion of democratic order, crimes against individual personality, market abuse crimes and administrative torts, manslaughter and serious or very serious injuries committed by breaching the applicable laws on protection of health and safety at work, crimes of receiving stolen goods, money laundering and using of laundered money, illegal goods or utilities the origin of which is unknown, computer crimes and illegal data handling and organized crimes and environmental crimes.

Over the years, the compliance program has been periodically updated and amended in order to take into account, mainly (i) the new cases introduced by the legislation as

precondition crimes (*"reati presupposti"*) triggering liability pursuant to Legislative Decree 231/2001, (ii) case law on this matter, (iii) the expertise accrued and the evolution of the Company's organizational structure, (iv) the need to rationalize some contents of the text of compliance program and to coordinate the different special parts.

The compliance program adopted by Enel is also implemented by the subsidiaries subject to Italian law, which are responsible for adapting its contents in light of the specific activities which they carry out.

Enel also approved specific guidelines aimed at rendering the principles of the compliance program applicable to the most significant international subsidiaries of the Group (identified also in consideration of the type of business operations conducted) in order to make such companies aware of the importance of ensuring correct and transparent business conditions, and to prevent the risk of administrative liability for Enel or for any of its Italian subsidiaries, pursuant to Legislative Decree 231/2001, due to the illegal conduct on the part of such international subsidiaries in their business operations.

Enel has appointed a collective body to supervise the functioning and observance of the said program and to update it (hereinafter referred to as the "supervisory body"). In particular, such supervisory body can be comprised of a number of members ranging between three and five, who are appointed by the Board of Directors. Such members may be chosen either from within or outside the Company or the Group, with specific expertise and professional experience (in any case it is requested the presence of the Head of the "Audit" function of the Company). During 2012, the supervisory body was comprised of an external member with expertise on corporate organization matters (Matteo Guiliano Caroli), acting also as Chairman of the body, the heads of the "Audit", and "Legal and Corporate Affairs Italy" and the Secretary of the Board of Directors, on account of their specific professional expertise regarding the application of the compliance program and are not directly involved in operating activities. The duration of the office of the members of the supervisory body is aligned to the office of the Board of Directors of the Company and therefore their term will expire at the date of approval of the 2013 financial report.

During 2012, the supervisory body, while monitoring the functioning of and compliance with the program:

- > held 8 meetings, during which it discussed: (i) the analysis, carried out also with the assistance of the Company's management, of the main business areas of the

Company which are significant for the program and the exam of the control procedures of such areas; (ii) the proposals for the updating of the program; (iii) the approval of the monitoring and supervisory activity plan for year 2012;

- > promoted the updating of the program, particularly with reference to the special part concerning the prevention of environmental crimes;
- > verified the state of implementation of the guidelines in the main international controlled companies;
- > promoted training initiatives, differentiated according to the recipients and necessary to ensure a constant updating of the personnel on the contents of the compliance program;
- > constantly reported its activities to the Chairman of the Board of Directors and to the Chief Executive Officer and, on a regular basis, to the Control and Risk Committee and to the Board of Statutory Auditors.

Zero tolerance for corruption plan

In June 2006, the Board of Directors approved the adoption of the zero tolerance towards corruption plan ("ZTC plan") in order to give substance to Enel's adherence to the Global Compact (an action program sponsored by the U.N. in 2000) and to the PACI - Partnership Against Corruption Initiative (sponsored by the Davos World Economic Forum in 2005).

The ZTC plan supplements the Code of Ethics and the compliance program adopted pursuant to Legislative Decree 231/2001, representing a more significant step regarding corruption and aimed at adopting a series of recommendations for the implementation of the principles formulated by Transparency International.

Attached below are the professional profiles of the members of the Board of Directors and of the acting auditors in office at the date of the present report, together with two tables that summarize some of the most significant information contained in the second section of the report on the structure and functioning of the Board of Directors and its committees, as well as the Board of Statutory Auditors over the course of 2012.

SCHEDULE 1: Biography of the members of the Board of Directors

Paolo Andrea Colombo, 52, Chairman (designated in the slate presented by the Ministry for the Economy and Finance).

A 1984 graduate with honors of the "Bocconi" University in Milan with a degree in business economics, where he was tenured professor from 1989 until 2010 of accounting and financial statements and where he is currently tenured senior contract professor. He is a founding partner of Borghesi Colombo & Associati, an Italian independent consulting company which offers a broad range of services in corporate finance and business consultancy to Italian and international clients.

He has been member of the boards of directors of several significant industrial and financial companies, which include Eni, Saipem, Telecom Italia Mobile, Pirelli Pneumatici, Publitalia '80 (Mediaset Group), RCS Quotidiani, RCS Libri, RCS Broadcast e Fila Holding (RCS Mediagroup), Sias, Interbanca e Aurora (Unipol Group). Furthermore, he held the office of chairman of the Board of Statutory Auditors of Saipem, Stream and Ansaldo STS, and of member of the Board of Statutory Auditors of Winterthur and Credit Suisse Italy, Banca Intesa, Lottomatica, Montedison, Techint Finanziaria, HDPNet and Internazionale F.C.

Currently, he is director of Mediaset and Versace, and chairman of the Board of Statutory Auditors of GE Capital Interbanca and member of the Board of Statutory Auditors of A. Moratti Sapa and of Humanitas Mirasole. He is also on the Board of Directors of the Italy-China Foundation, a member of the management board and council of Confindustria, a member of the management board of Assonime, member of the Board of Directors of ISPI, as well member of the board of relations between Italy and the United States.

He has been Chairman of Enel's Board of Directors since May 2011.

Fulvio Conti, 65, Chief Executive Officer and General Manager (designated in the slate presented by the Ministry for the Economy and Finance).

A graduate of the University of Rome "La Sapienza" with a degree in Economics, he joined the Mobil Group in 1969, where he held a number of executive positions in Italy

and abroad and in 1989 and 1990 he was in charge of finance for Europe. Head of the accounting, finance and control department for Europe of the American company Campbell in 1991.

After having been Head of the accounting, finance, and control department of Montecatini (from 1991 to 1993), he subsequently held the office of Head of finance of Montedison-Compart (between 1993 and 1996), in charge of the financial restructuring of the Group. General manager and chief financial officer of the Italian National Railways between 1996 and 1998, he also held important positions in other companies of the Group (including Metropolis and Grandi Stazioni). Deputy Chairman of Eurofima in 1997, he held the office of general manager and chief financial officer of Telecom Italia from 1998 until 1999, holding also in this case important positions in other companies of the Group (including Finsiel, TIM, Sirti, Italtel, Meie and STET International). From 1999 to June 2005 he was Enel's chief financial officer. He has been Chief Executive Officer and General Manager of Enel since May 2005. He is currently also a director of AON Corporation, Barclays Plc and RCS Mediagroup. He is also Chairman of Eurelectric and Deputy Chairman of Endesa, Deputy Chairman of Confindustria per il Centro Studi as well as director of the Accademia Nazionale di Santa Cecilia and of the Italian Technology Institute. In 2007 he was awarded with the Doctor Honoris Causa degree in Electrical Engineering, from Genoa University; in May 2009 he was appointed "*Cavaliere del Lavoro*" of the Italian Republic and in December of the same year he became "*Officier de la Légion d'Honneur*" of the French Republic.

Alessandro Banchi, 66, Director (designated in the slate presented by institutional investors).

Graduate in Chemical Engineering at the University of Bologna in 1969, he started his professional career in the pharmacology industry in 1971. In 1973, he joined the Italian branch office of the chemical-pharmaceutical multinational Boehringer Ingelheim, holding different management positions both in Italy and abroad, and became Italy's country manager from 1992 until 1999. In the Boehringer Ingelheim group, he held the office of managing director of Pharma Marketing and Sales (which operates worldwide) from 2000 until 2008, where he also held the office of Chairman (and CEO) of its executive committee starting from 2004. In 2009 he left the Boehringer Ingelheim group to carry out professional advice on pharmaceutical matters.

Officer of the Republic of Italy, he held offices in Italian and foreign sector associations of chemical and pharmaceutical industry; in this regard, he was chairman of AESGP and ANIFA (respectively, European and Italian Association of pharmaceutical industries of counter products), member of the Board of Directors of Federchimica and of the Board of Farindustria, as well as in the G10 at the European Commission in Brussels. He is member of Enel's Board of Directors since May 2011, and currently also the chairman of the supervisory board of Biotest AG.

Lorenzo Codogno, 53, Director (designated in the slate presented by the Ministry for the Economy and Finance).

After studying at the University of Padua, he completed his studies in the United States, where he earned a master's degree in Finance (1986-1987) at Syracuse University (New York). He was deputy manager of Credito Italiano (now UniCredit), where he worked in the research department. Subsequently, from 1995 to 2006, he worked for Bank of America, first in Milan and from 1998 in London, where he held the position of managing director, senior economist and the co-head of economic analysis in Europe. In 2006, he joined the Ministry for the Economy and Finance, where he is currently general director in the Treasury Department and head of the Economic and Financial Analysis and Planning Directorate. This directorate is in charge of macroeconomic forecasting, cyclical and structural analysis of the Italian and international economy, and analysis of monetary and financial issues. From January 2010 until December 2011, he was chairman of the European Union's Economic Policy Committee (a body of which he was Deputy Chairman from January 2008 to December 2009 and head of the Italian delegation since 2006), and he was Chairman of the Lisbon Methodology Working Group from November 2006 until January 2010. Since January 2013, he has been Chairman of Working Party I of the OECD (of which he had been Deputy Chairman since October 2007 and head of the Italian delegation since 2006). He is also the Italian delegate to the OECD's Economic Policy Committee. In addition, he is the author of numerous scientific publications and of articles in the specialised press. Before joining the Ministry, he was economic commentator on the main international economic and financial networks. He was a director of MTS (a company that manages markets for bond trading, now part of the London Stock Exchange group) from 1999 to 2003 and is currently a member of the scientific committee of

the "Fondazione Masi" (since April 2009) and a member of the Board of Directors of the "Fondazione universitaria economia Tor Vergata CEIS" (since November 2009). He has been a Director of Enel since June 2008.

Mauro Miccio, 57, Director (designated in the slate presented by the Ministry for the Economy and Finance).

Graduate with honors in Law at "La Sapienza" University of Rome in 1978, he started his professional career in the publishing Group Abete as managing director for the publishing sector (1981) and Chief Executive Officer of the press agency ASCA. He has been director of Ente Cinema (currently Cinecittà Luce) from 1993 until 1996, and Chairman of Cinecittà Multiplex, director of Rai from 1994 until 1996 and Acea from 2000 until 2002. Furthermore he held the office of managing director of A.S. Roma from 1997 until 2000 and Chief Executive Officer of Rugby Roma from 1999 until 2000, of Agenzia per la Moda from 1998 until 2001 and Eur SpA from 2003 until 2009.

Former Chairman of FERPI (Federazione Relazioni Pubbliche), ICI (Interassociazione della Comunicazione di Impresa), of the National Rugby League and of the organization committee of the "Baseball World Cup 2009", he has been Deputy Chairman of the European Rugby League. He was several times member of the Superior Communication Council at the Ministry for Communication and consultant of AGCOM, with whom he collaborated for the definition of the frequency sharing plan for the digital terrestrial television. He held and holds significant offices inside the Confindustria system, he is managing director of Assoimmobiliare, is member of the executive committee of the "S.O.S. - il Telefono Azzurro onlus" association and of the "Fondazione San Matteo" for the promotion of the social doctrine of the Catholic Church and the realization of humanitarian projects in the developing countries.

Professor of matters related to the communication sector at the University of Catania (from 1999 until 2002) and "Roma Tre", where he currently teaches communication sociology, he collaborates furthermore with other Communication Science university faculties and with various journalistic headlines as expert of communication and marketing and he is author of several publications related to this matter. Currently he is director of Sipra. He was a member of Enel's Board of Directors from 2002 until 2005, and now has held the office once again since May 2011.

Fernando Napolitano, 48, Director (designated in the slate presented by the Ministry for the Economy and Finance).

A graduate in economics and commerce (1987) of the University of Naples, he completed his studies in the United States, first earning a master's degree in management at Brooklyn Polytechnic University and later attending the advanced management program at Harvard Business School. He began his career by working in the marketing division of Laben (Finmeccanica Group) and then that of Procter & Gamble Italia; in 1990 he joined the Italian office of Booz Allen Hamilton (now named Booz & Company Italia), a management and technology consulting firm, where he was appointed partner and vice-president in 1998. Within this office he was in charge of developing activities in the fields of telecommunications, media, and aerospace, while also gaining experience in Europe, the United States, Asia and the Middle East; in Booz & Company he was Chief Executive Officer until June 2011, with assignments also of an international scope.

Since May 2011, he has been founding member of Italian Business & Investment Initiative, Why Italy Matters to the World, with registered office in New York, with the purpose of facilitating the meeting of Italian SME with US investors.

From November 2001 to April 2006 he served in the committee for surface digital television instituted by the Ministry for Communication and from July 2002 to September 2006 he was director of the Italian Centre for Aerospace Research. He has been a director of Enel since May 2002 and held the same office at Data Service (currently B.E.E. Team) from May 2007 to October 2008.

Pedro Solbes Mira, 70, Director (designated in the slate presented by institutional investors).

A graduate in Law at the Complutense University of Madrid and Ph.D in Politics Sciences at the same university, he carried out advanced studies in European economy at the *l'Université Libre de Bruxelles*.

He began his political career in 1968 as officer at the Ministry of Economics of Spain, holding prestigious offices at Spanish and European institutions. In particular, he held the office of Deputy Minister of International Affairs in Spain from 1986 until 1991 as responsible for the relations with the European Community, from 1991 until 1993 he was Minister of Agriculture, Nutrition and Fishing, while from 1993 until 1996 and from 2004 until 2009 he was Minister of Economic and Financial Affairs. Within the Eu-

ropean area he was Officer of Business and Monetary Affairs from 1999 until 2004. He was member of the Spanish Parliament in 1996 and 2007, and left the parliamentary office in 2009.

Until November 2012 he was Head of the Supervisory Board of EFRAG (European Financial Reporting Advisory Group), and currently is member of the *Conseil de Garants di Notre Europe Foundation*, Head of the executive committee of FRIDE (Spanish private foundation for international relations and foreign communication) and Head of the Spanish section of the Hispanic-Chinese Forum.

Before holding ministerial offices, he was member of the Board of Directors of a number of Spanish companies as representative of the public shareholder. Currently, he is director of Barclays Bank Espana. He holds the office of Enel's director since May 2011.

Angelo Taraborrelli, 64, Director (designated in the slate presented by institutional investors).

A graduate with honors in Law at the University of Siena in 1971, he obtained a master degree in hydrocarbon business at the High School of Hydrocarbon "Enrico Mattei". He began his professional activity at Eni in 1973, where he held various management offices, up to the role of Director of Planning and Control of Saipem. Then he held the office of the holding's Deputy Head of Strategic control and Up-stream development and Gas (in 1996) and, subsequently (in 1998), the office of Deputy Head of Planning and Industrial Control. Subsequently he held the office of Deputy Chairman of Snamprogetti (from 2001 until 2002) and has been Chief Executive Officer for AgipPetroli's business (2002). From the beginning of 2003, after the incorporation of the aforementioned company in the holding, he was deputy general manager of the marketing area at the Refining & Marketing Division. From 2004 until 2007 he was general manager of Eni responsible for the Refining & Marketing Division. Until September 2007, he was director of Galp (a Portuguese oil company), Deputy Chairman of Unione Petrolifera (association of the oil companies operating in Italy), director of Eni Foundation and Chairman of Eni Trading & Shipping. From 2007 until 2009 he held the office of Chief Executive Officer and General Manager of Syndial, Eni's company operating in chemicals and environmental intervention fields.

In 2009 he left Eni in order to carry out consultancy in oil industry matters; then he was appointed as distinguished associate of Energy Market Consultants (consultancy firm in oil industry matters with registered office in London) in

2010. He has been a member of Enel Board of Directors since May 2011.

Gianfranco Tosi, 65, Director (designated in the slate presented by the Ministry for the Economy and Finance).

A graduate in mechanical engineering (1971) of the Polytechnic Institute of Milan, since 1972 he has held a number of positions at the same institute, becoming professor of iron metallurgy in 1982 and from 1992 also giving the course on the technology of metal materials (together with the same position at the University of Leco). Author of more than 60 publications, he has been extensively involved in scientific activities. Member of the boards of directors of several companies and consortia, he has also held positions in associations, including the vice-presidency of the Gruppo Giovani Federlombarda (with duties as regional delegate on the Comitato Centrale Giovani Imprenditori instituted within Confindustria) and the office of member of the executive committee of the Unione Imprenditori of the Province of Varese. From December 1993 to May 2002 he was mayor of the city of Busto Arsizio. President of the Center for Lombard Culture, established by the Lombardy Region to defend and develop the local culture, he is also a member of the association of journalists. He has been a director of Enel since May 2002.

SCHEDULE 2: Biography of the members of the Board of Statutory Auditors

Sergio Duca, 65, Chairman (designated in the slate presented by institutional investors).

Sergio Duca graduated with honors in Economics and Business from the "Bocconi" University in Milan. A certified chartered accountant and auditor, as well as auditor authorized by the UK Department of Trade and Industry, he acquired broad experience through the PricewaterhouseCoopers network as the external auditor of important Italian listed companies, including Fiat, Telecom Italia, and Sanpaolo IMI. He was the Chairman of PricewaterhouseCoopers SpA from 1997 until July 2007, when he resigned from his office and ceased to be a shareholder of that firm because he had reached the age limit provided for by the bylaws. After serving as, among other things, member of

the Edison Foundation's advisory board and the Bocconi University's development committee, as well as Chairman of the Bocconi Alumni Association's board of auditors and a member of the Board of Auditors of the ANDAF (Italian Association of Chief Financial Officers), he was Chairman of the Board of Statutory Auditors of Tosetti Value SIM and an independent director of Sella Gestione SGR until April 2010. Member of the Ned Community, an association of non-executive directors, he currently holds high offices on the boards of directors and the boards of statutory auditors of important Italian companies, associations, and foundations, serving as Chairman of the Board of Statutory Auditors of Exor and of the Lottomatica Group, Chairman of the Board of Directors of Orizzonte SGR, an independent director of Autostrada Torino-Milano, and Chairman of the Board of Auditors of the Silvio Tronchetti Provera Foundation and the Compagnia di San Paolo, as well as a member of the Boards of Auditors of the Intesa San Paolo Foundation Onlus, and the ISPI (Institute for the Study of International Politics), and the supervisory body of Exor established pursuant to Legislative Decree 231/2001. He has been Chairman of Enel's Board of Statutory Auditors since April 2010.

Carlo Conte, 65, Acting Auditor (designated in the slate presented by the Ministry for the Economy and Finance).

After graduating with a degree in Economics and Commerce from "La Sapienza" University in Rome, he remained active in the academic world, teaching at the University of Chieti (1988-1989) and the LUISS Guido Carli in Rome (1989-1995). He currently teaches planning, budgets and controls Civil Service School, and the Economy and Finance School. A certified public accountant, he is also the author of a number of publications. In 1967 he started his career in the Civil Service at the Government Accounting Office, becoming a General Manager in 2002, which position he left in June 2012 due to age-related limitations. He has represented the Civil Service on a number of commissions and committees and in various research and working groups, has represented Italy on several committees of the OECD and was Chairman of the Board of Statutory Auditors of INPS (from 2002 until 2011) and of INAIL (from 2011 until 2012). A statutory auditor of Enel since 2004, he has also performed and continues to perform the same duties in a number of other bodies, institutions, and companies.

Gennaro Mariconda, 70, Acting Auditor (designated in the slate presented by the Ministry for the Economy and Finance).

He has been a notary public since 1970 and a notary public in Rome since 1977. From 1995 to 2001 he was a member of the National Council of Notaries, of which he was President from 1998 to 2001. As part of his activity as a notary, he has taken part in the most important reorganizations, transformations, and mergers of banks and other Italian companies, such as Banca di Roma, Medio Credito Centrale, Capitalia, IMI-San Paolo, Beni Stabili, and Autostrade. Since 1966 he has taught at a number of Italian universities and is a past professor of civil law at the University of Cassino's School of Law. He has served as a director of RCS Editori, Beni Stabili, as well as of the Istituto Regionale di Studi Giuridici Arturo Carlo Jemolo. He is currently auditor of Salini Costruttori SpA and a member of the editorial board of the journals "Notariato" and "Rivista dell'esecuzione forzata". A statutory auditor of Enel since 2007, he is the author of numerous technical legal studies – mainly on civil and commercial law – and he has also published articles, interviews, and essays in the most important Italian newspapers and magazines.

TABLE 1: Structure of Enel's Board of Directors and committees

Board of Directors											Control and Risk Committee	Compensation Committee	Related Parties Committee	Corporate Governance Committee	Executive Committee (if any)
Office	Members	In office since	In office until	Slate (M/m) (*)	Executive	Non-executive	Indep. pursuant CGC (*****)	Indep. pursuant CFA (*****)	Other offices (%) (**)	(***)	(****)	(****)	(****)	(****)	(****)
Chairman	Colombo Paolo Andrea	1/2012	12/2012	M	X				100%	2					X 100%
CEO / General Manager	Conti Fulvio	1/2012	12/2012	M	X				100%	3					
Director	Banchi Alessandro	1/2012	12/2012	m		X	X	X	86%	1		X	100%	X 100%	
Director	Codogno Lorenzo	1/2012	12/2012	M		X			93%	-	X	80%		X 71%	Non existent
Director	Miccio Mauro	1/2012	12/2012	M		X	X	X	100%	-	X	100%		X 100%	
Director	Napolitano Fernando	1/2012	12/2012	M		X	X	X	100%	-		X	100%	X 86%	
Director	Solbes Mira Pedro	1/2012	12/2012	m		X	X	X	100%	1		X	100%	X 100%	
Director	Taraborrelli Angelo	1/2012	12/2012	m		X	X	X	100%	-	X	100%		X 100%	
Director	Tosi Gianfranco	1/2012	12/2012	M		X	X	X	100%	-	X	100%		X 100%	

Quorum required for the presentation of slates for the appointment of the Board of Directors: 0.5% of the share capital.

Number of meetings held during the fiscal year 2012	BoD: 14	Control and Risk Committee: 15	Compensation Committee: 6	Related Parties Committee: 1	Corporate Governance Committee: 7
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NOTES

(*) This column shows M/m depending on whether the Director has been drawn from the slate voted by the majority (M) or by the minority (m) of the shareholders who attended the meeting.

(**) This column shows the number of offices held by the interested person in the management and control bodies (offices) of other relevant companies, identified through the policy adopted in this respect by the Board of Directors. In this regard, it should be noted that, at the date of the present report, the current directors of Enel hold the following offices which importance shall be considered to this purpose:

- 1) Alessandro Banchi: Chairman of the supervisory board of Biotest AG;
- 2) Paolo Andrea Colombo: director of Mediaset SpA; Chairman of the Board of Statutory Auditors of GE Capital Interbanca SpA;
- 3) Fulvio Conti: director of AON Corporation, Barclays Plc. and RCS Mediagroup SpA;
- 4) Pedro Solbes Mira: director of Barclays Espana SA.

(***) In these columns, an "X" indicates the committee(s) of which each Director is a member.

(****) These columns show the percentage of the meetings of, respectively, the Board of Directors and the committee(s) attended by each Director. All absences were appropriately explained.

(*****) In this column, an "X" indicates the possess of the requisite of independence provided by Article 3 of the Corporate Governance Code. Specifically, according to applicative criterion 3.C.1 of the Corporate Governance Code, a director should normally be considered lacking the requisites of independence in the following cases:

- a) if, directly or indirectly – including through subsidiaries, fiduciaries, or third parties – he or she controls the issuer or is able to exercise considerable influence on it or has entered into a shareholders' agreement through which one or more persons can exercise control or considerable influence on the issuer;
- b. if he or she is, or during the three preceding accounting periods has been, an important representative (2) of the issuer, a strategically important subsidiary, or a company under common control along with the issuer or of a company or an organization that, even together with others through a shareholders' agreement, controls the issuer or is able to exercise considerable influence on it;

(2) It should be noted that, according to applicative criterion 3.C.2 of the Corporate Governance Code, the following are to be considered "important representatives" of a company or an organization (including for the purposes of the provisions of the other letters of applicative criterion 3.C.1): the president of the organization, the Chairman of the Board of Directors, the executive directors, and the key executives of the company or organization under consideration.

- c) if, directly or indirectly (for example, through subsidiaries or companies of which he or she is an important representative or as a partner in a professional firm or consultancy) he or she has, or had in the preceding accounting period, a significant commercial, financial, or professional relationship:
- with the issuer, a subsidiary of it, or any of the related important representatives;
 - with a party who, even together with others through a shareholders' agreement, controls the issuer or – if it is a company or an organization – with the related important representatives;
- or is, or during the three preceding accounting periods was, an employee of one of the aforesaid entities.
- In this regard, in February 2010 the Company's Board of Directors established the following quantitative criteria applicable to the aforesaid commercial, financial, or professional relations:
- commercial or financial relations: (i) 5% of the annual turnover of the company or organization of which the Director has control or is an important representative, or of the professional or consulting firm of which he is a partner, and/or (ii) 5% of the annual costs incurred by the Enel Group through the same kind of contractual relations;
 - professional services: (i) 5% of the annual turnover of the company or organization of which the Director has the control or is an important representative or of the professional or consulting firm of which he is a partner, and/or (ii) 2.5% of the annual costs incurred by the Enel Group through similar assignments.
- In principle, unless there are specific circumstances that should be concretely examined, exceeding these limits should mean that the non-executive director to whom they apply does not possess the requisites of independence provided for by the Corporate Governance Code;
- d) if he or she receives, or has received in the three preceding accounting periods, from the issuer or from a subsidiary or controlling company significant additional compensation with respect to his or her "fixed" pay as a non-executive director of the issuer and compensation for participation on the committees with consultative and proposing functions established within the Board of Directors, also in the form of participation in incentive plans connected with the company's performance, including those involving stock based plans;
- e) if he or she has been a director of the issuer for more than nine years in the last twelve years;
- f) if he holds the office of Chief Executive Officer in another company in which an executive director of the issuer holds a directorship;
- g) if he or she is a shareholder or a director of a company or an organization belonging to the network of the firm entrusted with the external audit of the issuer;
- h) if he or she is a close family member (3) of a person who is in one of the conditions referred to in the preceding items.

(*****) In this column, an "X" indicates the possess of the requisite of independence provided for the statutory auditors of listed companies by Article 148, Subsection 3, of the Consolidated Financial Act, applicable to the directors pursuant to Article 147-ter, Subsection 4, of the Consolidated Financial Act. Pursuant to the provisions of Article 148, paragraph 3, of the Consolidated Financial Act, the following do not qualify as independent:

- a) persons who are in the situations provided for by Article 2382 of the Civil Code (that is, in the state of incapacitation, disqualification, or bankruptcy or who have been sentenced to a punishment that entails debarment, even temporary, from public offices or incapacitation from performing executive functions);
- b) the spouse, relatives, and in-laws within the fourth degree of the directors of the company, as well as the directors, spouse, relatives, and in-laws of its subsidiaries, the companies of which it is a subsidiary, and those under common control;
- c) persons who are connected with the company, its subsidiaries, the companies of which it is a subsidiary, or those under common control, or with the directors of the company or the parties referred to under the preceding letter b) by relations as an employee or a self-employed person or other economic or professional relations that could compromise their independence.

TABLE 2: Structure of Enel's Board of Statutory Auditors

Office	Members	In office from	In office until	Slate (M/m) (*)	(**)	Number of offices (***)
Chairman	Duca Sergio	1/2012	12/2012	m	100%	5
Acting auditor	Conte Carlo	1/2012	12/2012	M	94%	-
Acting auditor	Mariconda Gennaro	1/2012	12/2012	M	88%	-
Alternate Auditor	Salsone Antonia Francesca	1/2012	12/2012	M	-	-
Alternate Auditor	Tutino Franco	1/2012	12/2012	m	-	-

Quorum required for the presentation of slates for the appointment of the Board of Statutory Auditors: 0.5% of the share capital. (****)

Number of meetings held in the fiscal year 2012: 16

NOTES

- (*) This column shows M/m depending on whether the auditor has been drawn from the slate voted by the majority (M) or by the minority (m) of the shareholders who attended the meeting.
- (**) This column shows the percentage of participation of each acting auditor at the Board of Statutory Auditors' meetings. All absences were appropriately explained.
- (***) This column shows the number of offices that the person concerned has declared to hold on the boards of directors or the boards of statutory auditors of Italian corporations. The entire list of the offices is published by CONSOB and is available on its internet website, pursuant to Article 144-*quinquiesdecies* of CONSOB's Regulation on Issuers.
- (****) This quorum applies with effect from the meetings whose notice of call is published after October 31, 2010. For the meetings called until that date, the quorum was equal to 1% of the share capital.

- (3) The comment on Article 3 of the Corporate Governance Code states in this regard that, "in principle, the following should be considered not independent: the parents, the spouse (unless legally separated), life partner more uxorio, and co-habitant family members of a person who could not be considered an independent director.

Declaration of the Chief Executive
Officer and the officer responsible
for the preparation of the Company
financial reports

Declaration of the Chief Executive Officer and the officer responsible for the preparation of the financial reports of Enel SpA at December 31, 2012, pursuant to the provisions of Article 154-*bis*, paragraph 5, of Legislative Decree 58 of February 24, 1998 and Article 81-*ter* of CONSOB Regulation no. 11971 of May 14, 1999

1. The undersigned Fulvio Conti and Luigi Ferraris, in their respective capacities as Chief Executive Officer and officer responsible for the preparation of the financial reports of Enel SpA, hereby certify, taking account of the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998:
 - a. the appropriateness with respect to the characteristics of the Company and
 - b. the effective adoptionof the administrative and accounting procedures for the preparation of the separate financial statements of Enel SpA in the period between January 1, 2012 and December 31, 2012.

2. In this regard, we report that:
 - a. the appropriateness of the administrative and accounting procedures used in the preparation of the separate financial statements of Enel SpA has been verified in an assessment of the internal control system. The assessment was carried out on the basis of the guidelines set out in the "Internal Controls - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
 - b. the assessment of the internal control system did not identify any material issues.

3. In addition, we certify that separate financial statements of Enel SpA at December 31, 2012:
 - a. have been prepared in compliance with the international accounting standards recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;
 - b. correspond to the information in the books and other accounting records;
 - c. provide a true and fair representation of the performance and financial position of the issuer.

4. Finally, we certify that the report on operations accompanying the financial statements of Enel SpA at December 31, 2012 contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, March 12, 2013

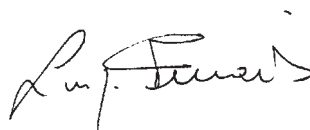
Fulvio Conti

Chief Executive Officer of Enel SpA

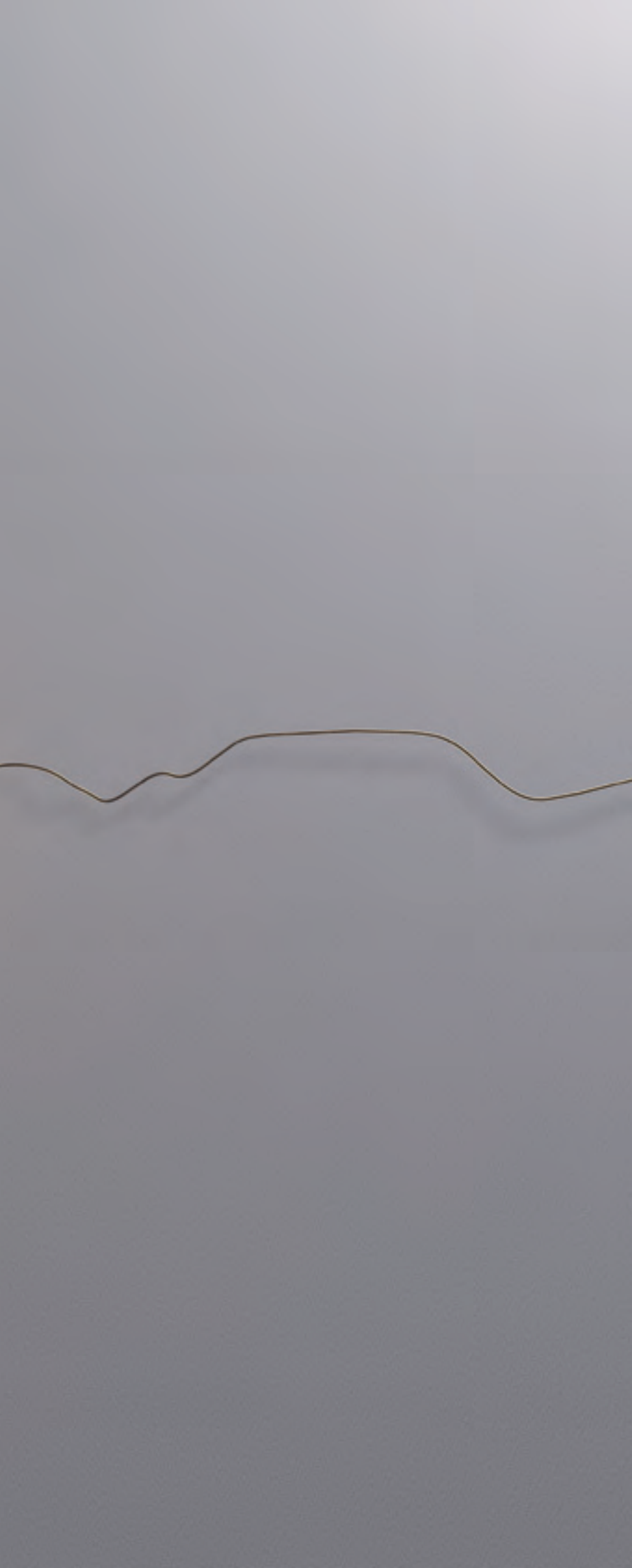


Luigi Ferraris

Officer responsible for the preparation
of the financial reports of Enel SpA



Efficiency



Reports

Report of the Board of Auditors
to the Shareholders' Meeting of Enel SpA
called to approve the 2012 financial statements
(pursuant to Article 153 of Legislative Decree 58/1998)

Shareholders,

During the year ended December 31, 2012 we performed the oversight activities envisaged by law at Enel SpA (hereinafter also the "Company"). In particular, pursuant to the provisions of Article 149, paragraph 1, of Legislative Decree 58 of February 24, 1998 (hereinafter the "Consolidated Financial Act") and Article 19, paragraph 1 of Legislative Decree 39 of January 27, 2010 (hereinafter "Decree 39/2010") we monitored:

- > compliance with the law and the corporate bylaws as well as compliance with the principles of sound administration in the performance of the Company's business;
- > the Company's financial reporting process and the adequacy of the administrative and accounting system, as well as the reliability of the latter in representing operational events;
- > the statutory audit of the annual statutory and consolidated accounts and the independence of the auditing firm;
- > the adequacy and effectiveness of the internal control and risk management system;
- > the adequacy of the organizational structure of the Company, within the scope of our responsibilities;
- > the implementation of the corporate governance rules as provided for by the Corporate Governance Code for Listed Companies (hereinafter, the "Corporate Governance Code"), which the Company has adopted;
- > the appropriateness of the instructions given by the Company to the subsidiaries to enable Enel SpA to meet statutory market disclosure requirements.

In performing our checks and assessments of the above issues, we did not find any particular issues to report. In compliance with the instructions issued by CONSOB with Communication no. DEM/1025564 of April 6, 2001, as amended, we report the following:

- > we monitored compliance with the law and the bylaws and we have no issues to report;
- > on a quarterly basis, as well as through our participation in the meetings of the Board of Directors of Enel SpA, we received adequate information from the Chief Executive Officer on activities performed, general developments in operations and the outlook, and on transactions with the most significant impact on performance or the financial position carried out by the Company and its subsidiaries. We report that the actions approved and implemented were in compliance with the law and the bylaws and were not manifestly imprudent, risky, in potential conflict of interest or in contrast with the resolutions of the Shareholders' Meeting or otherwise prejudicial to the integrity of the Company's assets. For a discussion of the features of the most significant transactions, please see the report on operations accompanying the separate 2012 financial statements of the Company and the 2012 consolidated financial statements of the Enel Group (in the sections "Significant events in 2012");
- > we did not find any atypical or unusual transactions conducted with third parties, Group companies or other related parties;
- > in the section "Related parties" of the notes to the separate 2012 financial statements of the Company, the directors describe the main related-party transactions – identified on the basis of international accounting standards and the instructions of CONSOB – carried out by the Company, to which readers may refer for details on the transactions and their financial impact. They also detail the procedures adopted to ensure that related-party transactions are carried out in accordance with the principles of transparency and procedural and substantive fairness. The transactions were carried out in compliance with the approval and execution processes set out in the related procedure adopted in compliance with the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB described in the report on corporate governance and ownership structure for 2012. All transactions with related parties carried out in the period under review and reported in the notes to the separate 2012 financial statements of the Company were executed as part of ordinary operations in the interest of the Company and settled on market

terms and conditions;

- > the Company declares that it has prepared its statutory financial statements for 2012 on the basis of international accounting standards (IAS-IFRS) – and the interpretations issued by the IFRIC and the SIC – endorsed by the European Union pursuant to Regulation no. (EC) 1606/2002 and in force at the close of 2012, as well as the provisions of Legislative Decree 38 of February 25, 2005 and its related implementing measures, as it did the previous year. The separate financial statements for 2012 have been prepared on a going-concern basis using the cost method, with the exception of items that are measured at fair value under the IFRS-EU. The notes to the financial statements provide a detailed discussion of the accounting standards and measurement criteria adopted. As regards recently issued accounting standards, the notes to the financial statements discuss (i) applicable standards adopted for the first time, which according to the notes did not have a material impact for the Company during the period under review, and (ii) standards that are not yet applicable and have not been adopted. The statutory financial statements for 2012 of the Company were audited by the independent auditors Reconta Ernst & Young SpA, which issued an unqualified opinion, including with regard to the consistency of the report on operations with the financial statements, pursuant to Article 14 of Decree 39/2010;
- > the Company declares that it has also prepared the consolidated financial statements of the Enel Group for 2012 on the basis of international accounting standards (IAS-IFRS) – and the interpretations issued by the IFRIC and the SIC – endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 and in force at the close of 2012, as well as the provisions of Legislative Decree 38 of February 25, 2005 and its related implementing measures, as it did the previous year. The 2012 consolidated financial statements of the Enel Group are also prepared on a going-concern basis using the cost method, with the exception of items that are measured at fair value under the IFRS-EU. The notes to the consolidated financial statements provide a detailed discussion of the accounting standards and measurement criteria adopted. As regards recently issued accounting standards, the notes to the consolidated financial statements discuss (i) applicable standards adopted for the first time, which according to the notes did not have a material impact for the Group in the year under review, and (ii) standards that are not yet applicable and have not been adopted. The consolidated financial statements for 2012 of the Enel Group were audited by the independent auditors Reconta Ernst & Young SpA, which issued an unqualified opinion, including with regard to the consistency of the report on operations with the consolidated financial statements, pursuant to Article 14 of Decree 39/2010.
Under the terms of its engagement, Reconta Ernst & Young SpA also issued unqualified opinions on the financial statements for 2012 of the most significant Italian companies of the Enel Group. During periodic meetings with the representatives of the auditing firm, Reconta Ernst & Young SpA, the latter did not raise any issues concerning the reporting packages of the main foreign companies of the Enel Group, selected by them on the basis of the work plan established for the preparation of the consolidated financial statements of the Enel Group that would have a sufficiently material impact to be reflected in the opinion on those financial statements;
- > the reports on operations of the separate and consolidated financial statements for 2012 both contain a discussion of the main risks and uncertainties facing the Company and the Enel Group as well as information concerning the environment and personnel in line with the amendments introduced with Legislative Decree 32/2007 to Article 2428, paragraphs 1 and 2, of the Civil Code. These risks and uncertainties were examined by the Board of Auditors during meetings with the heads of the Administration, Finance and Control department, Risk Management and Audit, as well as with the other units involved;
- > taking due account of the recommendations of the European Securities and Markets Authority, on January 21, 2013, in order to ensure greater transparency concerning the methods used by

listed companies in testing goodwill for impairment, in line with the recommendations contained in the joint Bank of Italy- CONSOB - ISVAP document no. 4 of March 3, 2010, the compliance of the impairment testing procedure with the provisions of IAS 36 was expressly approved by the Board of Directors of the Company, having obtained a favorable opinion in this regard from the Control and Risk Committee at its meeting of February 27, 2013, i.e. prior to the date of approval of the financial statements for 2012;

- > we examined the Board of Directors' proposal for the allocation of net income for the year and have no comments in this regard;
- > we note that the Board of Directors of the Company certified, following appropriate checks by the Control and Risk Committee, that as at the date on which the separate 2012 financial statements were approved, the Enel Group continued to meet the conditions established by CONSOB (set out in Article 36 of the Market Rules, approved with Resolution no. 16191 of October 29, 2007) concerning the accounting transparency and adequacy of the organizational structures and internal control systems that subsidiaries established and regulated under the law of non-EU countries must comply with so that Enel SpA shares can continue to be listed on regulated markets in Italy;
- > we monitored, within the scope of our responsibilities, the adequacy of the organizational structure of the Company (and the Enel Group as a whole), obtaining information from department heads and in meetings with the boards of auditors or equivalent bodies of a number of Enel Group companies in Italy and abroad, for the purpose of the reciprocal exchange of material information. Beginning in February 2012, the Enel Group adopted a new organizational model, structured as follows: (i) holding company functions, which are responsible for steering and controlling strategic activities for the entire Group; (ii) global service functions, which are responsible for providing services to the Group, maximizing synergies and economies of scale; and (iii) business lines, represented by seven divisions: Sales, Generation and Energy Management, Infrastructure and Networks, Iberia and Latin America, International, Renewable Energy, and Engineering and Research, as well as the Upstream Gas and Carbon Strategy functions. The Board of Auditors feels that the organizational system described above is adequate to support the strategic development of the Company and the Enel Group and is consistent with control requirements;
- > during meeting with the boards of auditors or equivalent bodies of a number of the Group's main companies in Italy and abroad, no material issues emerged that would require reporting here;
- > we monitored the independence of the auditing firm Reconta Ernst & Young SpA, having received from them specific written confirmation that they met that requirement (pursuant to the provisions of Article 17, paragraph 9, letter a) of Decree 39/2010) and having discussed the substance of that declaration with the audit partner. In this regard, we also monitored – as provided for under Article 19, paragraph 3(d), of Decree 39/2010 – the nature and the scale of non-audit services provided to the Company and other Enel Group companies by Reconta Ernst & Young SpA and the entities belonging to its network, the fees for which are reported in the notes to the financial statements of the Company. Following our examinations, the Board of Auditors feels that there are no critical issues concerning the independence of the auditing firm Reconta Ernst & Young SpA. We held periodic meetings with the representatives of the auditing firm, pursuant to Article 150, paragraph 3, of the Consolidated Financial Act, and no material issues emerged that would require mention in this report.

As regards the provisions of Article 19, paragraph 3, of Decree 39/2010, Reconta Ernst & Young SpA provided the Board of Auditors with the report for 2012 "on key issues emerging during the statutory audit", which did not find any significant shortcomings in the internal control system concerning financial reporting. As regards a number of issues involving administrative processes, the auditing firm provided suggestions that, after being agreed with the Company's operating units, enabled improvements to be implemented;

- > we monitored the financial reporting process, the appropriateness of the administrative and accounting system and its reliability in representing operational events, as well as compliance with the principles of sound administration in the performance of the Company's business and we have no comments in that regard. We conducted our checks by obtaining information from the head of the Administration, Finance and Control function (taking due account of that person's role as the officer responsible for the preparation of the Company's financial reports), examining company documentation and analyzing the findings of the examination performed by Reconta Ernst & Young SpA. The Chief Executive Officer and the officer responsible for the preparation of the financial reports of Enel SpA issued a statement (regarding the Company's 2012 financial statements) certifying (i) the appropriateness with respect to the characteristics of the Company and the effective adoption of the administrative and accounting procedures used in the preparation of the financial statements; (ii) the compliance of the content of the financial reports with international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002; (iii) the correspondence of the financial statements with the information in the books and other accounting records and their ability to provide a true and fair representation of the performance and financial position of the Company; and (iv) that the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed. The statement also affirmed that the appropriateness of the administrative and accounting procedures used in the preparation of the financial statements of the Company had been verified in an assessment of the internal control system and that the assessment of the internal control system did not identify any material issues. An analogous statement was prepared for the consolidated financial statements for 2012 of the Enel Group. The assessment of the internal control system was supported by the findings of the independent monitoring conducted by the Company's Audit function;
- > we monitored the adequacy and effectiveness of the internal control system, primarily through periodic meetings with the head of the Audit function of the Company (who also functions as the Internal Control Officer), with the participation of the Chairman of the Board of Auditors in the meetings of the Internal Control Committee (whose name, in line with the recommendations introduced in the edition of the Corporate Governance Code published in December 2011, was changed to Control and Risk Committee in December 2012) and examining the associated documentation during those meetings. In the light of our examination and in the absence of significant issues, the internal control and risk management system can be considered adequate, effective and functional. In February 2013, the Board of Directors of the Company expressed an analogous assessment of the situation;
- > during the year, the Board of Auditors did not receive any reports of censurable facts pursuant to Article 2408 of the Civil Code. However, we did receive two complaints from customers of Italian companies of the Enel Group containing allegations of service problems in the performance of electricity distribution and sale activities. The Board of Auditors asked the competent Company units to conduct an appropriate investigation, which found no material irregularities to report;
- > in December 2012, the Board of Directors of the Company took steps to incorporate the recommendations in the December 2011 edition of the Corporate Governance Code into Enel's governance arrangements, in compliance with the deadline set out in the associated transitional rules. Until that time, the corporate governance arrangements of the Company and the Group complied with the recommendations of the Corporate Governance Code published in March 2006 and the amendments made to Article 7 of the Code in March 2010 concerning the remuneration of directors. Detailed information can be found in the report on corporate governance and ownership structure for 2012. In February 2013, the Board of Auditors verified that the Board of Directors, in evaluating

the independence of non-executive directors, correctly applied the assessment criteria specified in the Corporate Governance Code and the principle of the priority of substance over form set out in that Code, adopting a transparent procedure, the details of which are discussed in the report on corporate governance and ownership structure for 2012. As regards the “self-assessment” of the independence of its members, the Board of Auditors verified compliance in February 2013, noting however that the standing member of the Board of Auditors Carlo Conte met the independence requirements established in Consolidated Financial Act for members of the board of auditors of listed companies while not meeting those envisaged in the Corporate Governance Code for directors of listed companies, as, until June 30, 2012, he was a senior official of the Ministry for the Economy and Finance, the Company’s controlling shareholder. The only member of the Board of Auditors (the Chairman Sergio Duca) subject to the requirement to report any positions of administration or control held in Italian corporations in accordance with the provisions of Article 148-*bis* of Consolidated Financial Act did so in compliance with the time limits and the procedures provided for under Articles 144-*duodecies et seq.* of the CONSOB Issuers Regulation adopted by CONSOB with Resolution no. 11971 of May 14, 1999;

- > since the listing of its shares, the Company has adopted specific rules (most recently amended in December 2012) for the internal management and processing of confidential information, which also set out the procedures for the disclosure of documentation and information concerning the Company and the Group, with specific regard to inside information. Those rules contain appropriate provisions directed at subsidiaries to enable Enel SpA to comply with statutory market disclosure requirements, pursuant to Article 114, paragraph 2, of the Consolidated Financial Act. The principles set out in the rules are discussed in the report on corporate governance and ownership structure for 2012;
- > in 2002 the Company also adopted (and has subsequently updated) a Code of Ethics that expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate conduct in accordance with standards of maximum transparency and fairness with respect to all stakeholders;
- > with regard to the provisions of Legislative Decree 231 of June 8, 2001 – which introduced into Italian law a system of administrative (in fact criminal) liability for companies for certain types of offences committed by its directors, managers or employees on behalf of or to the benefit of the company – since July 2002 Enel SpA has adopted a compliance program consistent with the guidelines established by industry associations. The program consists of a “general part” and various “special parts” concerning the difference offences specified by Legislative Decree 231/2001 that the program is intended to prevent. For a description of the main features of the program and the manner in which it has been adopted by the various Group companies, please see the report on corporate governance and ownership structure for 2012. The structure that monitors the operation and compliance with the program and is responsible for updating it (hereinafter, “the Supervisory Body”) is a collegial body. In 2012 it was composed of an external member with expertise on corporate organization matters, who also acted as chairman of the body, and the head of the Audit function, the head of the Corporate Affairs and Legal & Corporate Affairs areas and the Secretary of the Board of Directors of the Company, since they have specific professional expertise regarding the application of the compliance program and are not directly involved in operating activities. The Board of Auditors received adequate information on the main activities carried out in 2012 by the Supervisory Body. Our examination of those activities found no facts or situations that would require mention in this report;
- > in September 2012, in view of the presentation to the Board of Directors of a proposal concerning the issue of one or more bonds to be placed in euro or another currency by December 31, 2013, in the maximum total amount of €5 billion – subject to revocation of the analogous resolution

adopted by the Board of Directors on November 9, 2011, in respect of the part not yet executed – the Board of Statutory Auditors issued a certification on the basis of the most recent approved financial statements of Enel SpA at December 31, 2011, concerning compliance with the limit on the issue of bonds referred to in Article 2412, paragraph 1, of the Civil Code, and the combined provisions of paragraphs 4 and 5 of that article;

- > the report on remuneration referred to in Article 123-ter of the Consolidated Financial Act, approved by the Board of Directors on the basis of a proposal of the Compensation Committee of April 4, 2013, contains a detailed and comprehensive discussion of the fixed and variable compensation received by the Chairman of the Board of Directors, the Chief Executive Officer/General Manager and other directors in 2010 for their respective positions. Similar disclosure is also provided in aggregate form, in compliance with the associated CONSOB rules, for other key management personnel. The disclosures also concern the characteristics of long-term incentive plans. The design of these compensation instruments is in line with best practices, complying with the principle of establishing a link with appropriate financial and non-financial performance targets and creation of shareholder value over the medium and long term. The proposals of the Board of Directors concerning such forms of compensation were prepared by the Compensation Committee, which is made up of independent directors, drawing on the findings of benchmarking analyses at the national and international level performed by an independent consulting firm;
- > the Board of Auditors' oversight activity in 2012 was carried out in 16 meetings and with participation in the 14 meetings of the Board of Directors, and, through the Chairman or a designated representative, in the 15 meetings of the Internal Control Committee (of which 3 joint meetings with the Board of Statutory Auditors), in the 6 meetings of the Compensation Committee, in the single meetings of the Related Party Committee and in the 7 meetings of the Corporate Governance Committee. The delegate of the State Audit Court participated in the meetings of the Board of Auditors and those of the Board of Directors.

During the course of this activity and on the basis of information obtained from Reconta Ernst & Young SpA, no omissions, censurable facts, irregularities or other significant developments were found that would require reporting to the regulatory authorities or mention in this report.

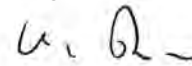
Based on the oversight activity performed and the information exchanged with the independent auditors Reconta Ernst & Young SpA, we recommend that you approve the Company's financial statements for the year ended December 31, 2012 in conformity with the proposals of the Board of Directors.

Rome, April 4, 2013

The Board of Auditors

Chairman

Sergio Duca



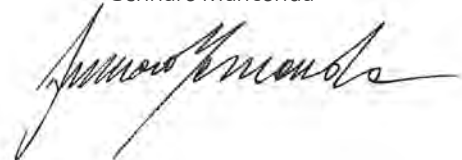
Auditor

Carlo Conte



Auditor

Gennaro Mariconda



Report of the Independent Auditors
on the 2012 financial statements of Enel SpA

**Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)**

To the Shareholders of
Enel S.p.A.

1. We have audited the financial statements of Enel S.p.A. as of December 31, 2012 and for the year then ended, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the related notes to the financial statements. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Enel S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 6, 2012.
3. In our opinion, the financial statements of Enel S.p.A. as of December 31, 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Enel S.p.A. for the year then ended.
4. The directors of Enel S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the report on operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance and ownership structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information presented in compliance with art. 123-bis

of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the report on corporate governance and ownership structure, are consistent with the financial statements of Enel S.p.A. as of December 31, 2012.

Rome, April 4, 2013

Reconta Ernst & Young S.p.A.

Signed by: Massimo delli Paoli, Partner

This report has been translated into the English language solely for the convenience of international readers.

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