

Annual Report 2016



enel



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ENEL IS OPEN POWER

VALUES

Open to the world, to technology and, internally, among our people. This is the strategic concept of **Open Power**. But in order to transfer to our customers and stakeholders the essence of a new innovative and open Enel, it is essential to instill this approach to openness within the Company.

In order to create a shared culture among all of the **Group's** parts, we have developed a "galaxy" composed of a Vision – for the first time in Enel – which represents our major long-term objective, a Mission 2025 expressed in five points, the values that represent Enel's DNA and ten principles of conduct that must inspire everyone who works for the Company. **Let's discover the Open Power galaxy.**

PRINCIPLES OF CONDUCT

Make **decisions in daily activities** and take responsibility for them.

Share information, being willing to collaborate and open to the contribution of others.

Follow through with **commitments**, pursuing activities with determination and passion.

Adopt and promote **safe behavior** and move pro-actively to improve conditions for health, safety and well-being.

Work focusing on **satisfying customers** and/or co-workers, acting effectively and rapidly.

Change priorities swiftly in response to changes in the context.

Get results by aiming for **excellence**.

Work for the **integration of all**, recognizing and leveraging individual diversity (culture, gender, age, disabilities, personality etc.).

Propose **new solution** and do not give up when faced with obstacles or failure.

Recognize **merit in co-workers** and give feedback that can improve their contribution.

Innovation

Responsibility

VISION

Trust

“**OPEN POWER**
TO SOLVE THE GREATEST CHALLENGES
FACING **OUR WORLD**”

MISSION 2025

Proactivity

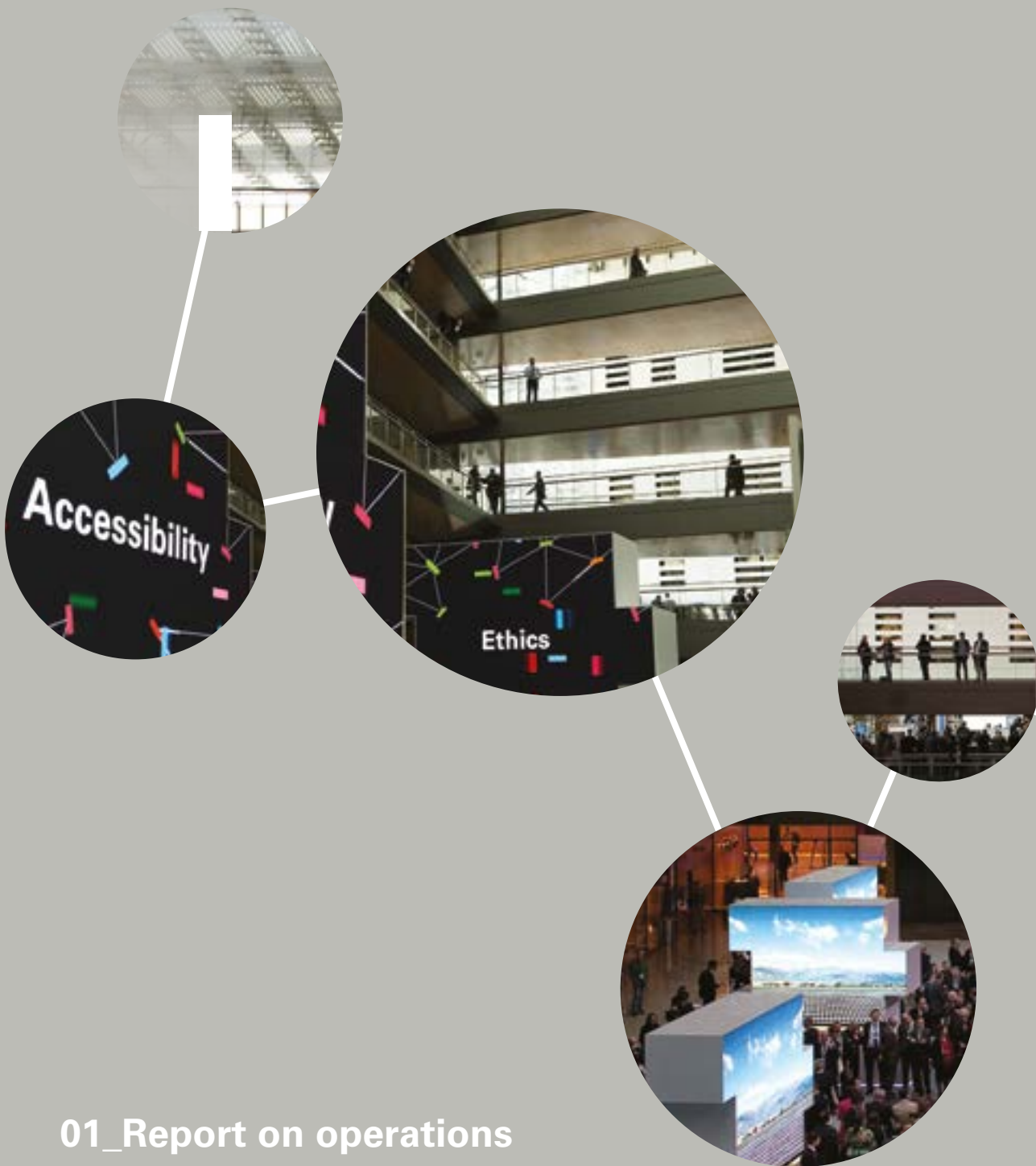
■ OPEN
ACCESS TO
ELECTRICITY
FOR **MORE**
PEOPLE

■ OPEN THE **WORLD**
OF ENERGY TO
NEW TECHNOLOGY

■ OPEN UP TO
NEW USES
OF ENERGY

■ OPEN UP TO NEW
WAYS OF **MANAGING**
ENERGY FOR PEOPLE

■ OPEN UP
TO NEW
PARTNERSHIPS



01_Report on operations



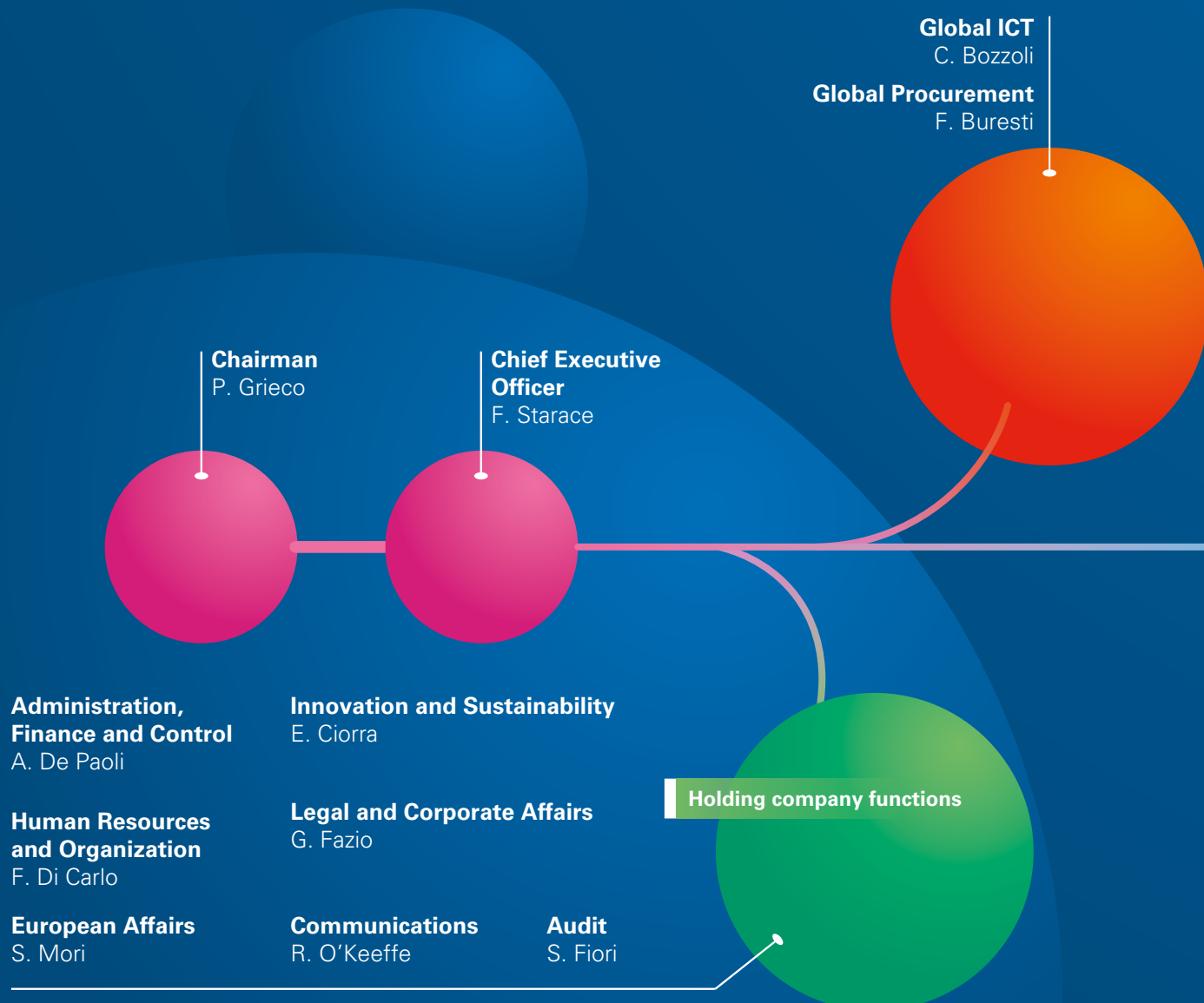
Enel organizational model

On April 8, 2016, the Enel Group adopted a new organizational structure, partly in relation to the integration of Enel Green Power. More specifically, the main organizational changes include:

- > the reorganization of the Group's geographical presence, with a focus on the countries that represent new business opportunities around the world and in which the Group's presence was established through Enel Green Power. The Group has therefore shifted from a matrix of four geographical areas to one with six such areas. The structure retains the Country "Italy" and the areas "Iberia" and "Latin America," while the Eastern Europe area has been expanded into the "Europe and North Africa" area. Two new geographical areas have also been created: "North and Central America" and "Sub-Saharan Africa and Asia." These six areas will continue to maintain a presence and integrate businesses at the local level, seeking to foster the development of all segments of the value chain. At the geographical level, in countries in which the Group operates in both the conventional and renewable generation businesses, the position of Country Manager will be unified;
- > the convergence of the entire hydroelectric business within the Renewable Energy business line;
- > the integrated management of dispatching of all renewable and thermal generation plants by Energy Management at the Country level in accordance with the guidelines established by the Global Trading Divisi.

More specifically, the new Enel Group structure is organized, like the previous one, into a matrix that comprises:

- > *Divisions* (Global Thermal Generation, Global Trading, Global Infrastructure and Networks, Renewable Energy), which are responsible for managing and developing assets, optimizing their performance and the return on capital employed



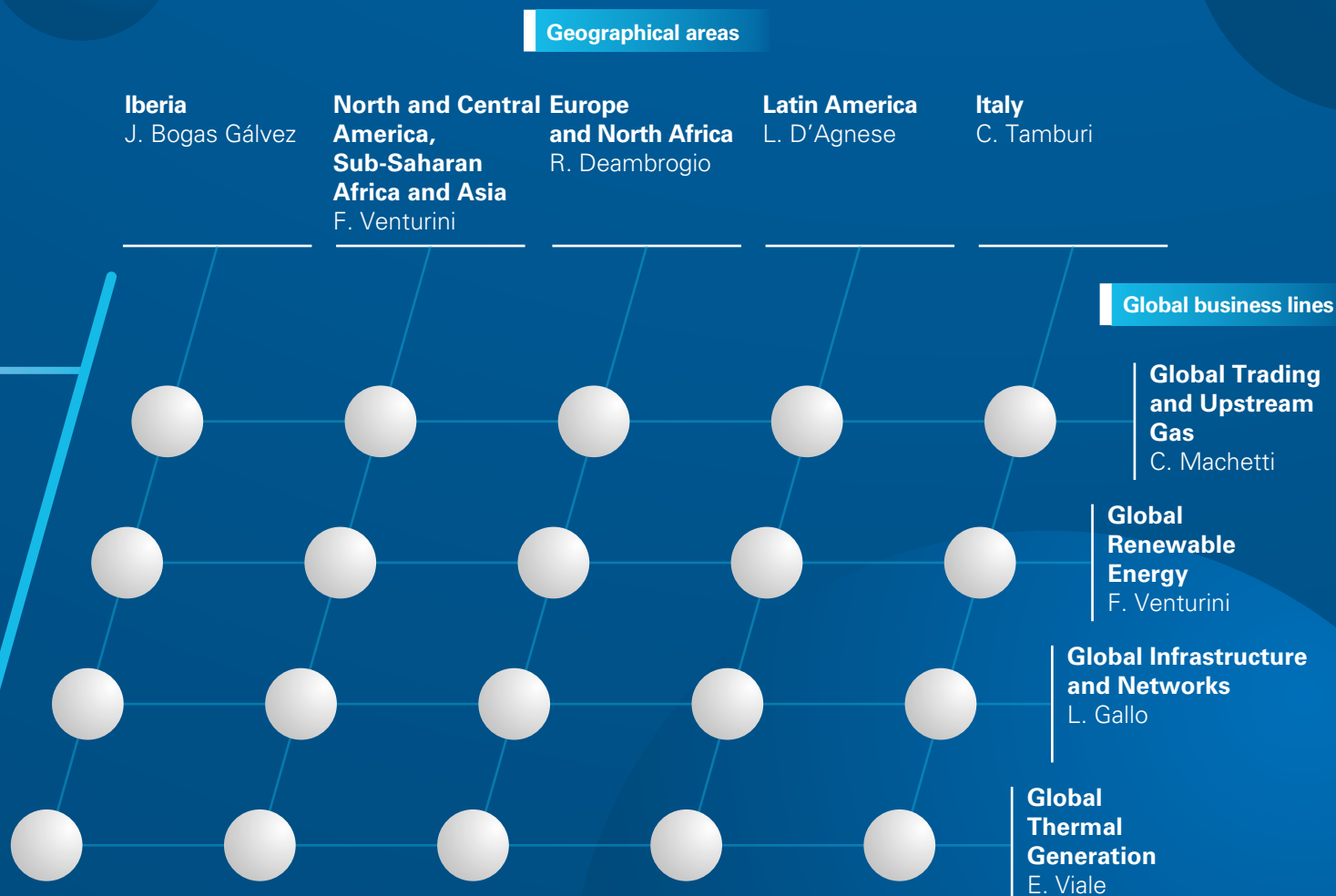
in the various geographical areas in which the Group operates. The Divisions are also tasked with improving the efficiency of the processes they manage and sharing best practices at the global level. The Group can benefit from a centralized industrial vision of projects in the various business areas. Each project will be assessed not only on the basis of its financial return, but also on the basis of the best technologies available at the Group level. On September 12, 2016, following the positive experience of Enel OpEn Fiber in Italy, Enel created a new global business unit within the Global Infrastructure and Networks business line, responsible for managing this new strategic line of business in Italy and around the world. The new business unit, Global Fiber Optic Infrastructures, has the mission of developing strategies and business models for the development of fiber optic infrastructure by the Group at the global level;

- > *Regions and Countries* (Italy, Iberia, Latin America, Europe and North Africa, North and Central America, Sub-Saharan Africa and Asia), which are responsible for managing relationships with institutional bodies and regulatory authorities, as well as selling electricity and gas, in each of the countries in which the Group is present, while also providing staff and other service support to the Divisions.

The following functions provide support to Enel's business operations:

- > *global service functions* (Procurement and ICT), which are responsible for managing information and communication technology activities and procurement at the Group level;
- > *holding company functions* (Administration, Finance and Control, Human Resources and Organization, Communications, Legal and Corporate Affairs, Audit, European Affairs, and Innovation and Sustainability), which are responsible for managing governance processes at the Group level.

The new organizational structure modifies the structure of reporting, the analysis of the Group's performance and financial position and, accordingly, the representation of consolidated results as from September 30, 2016. Consequently, in this consolidated financial report, the results by business segment are discussed on the basis of the new organizational arrangements and taking account of the provision of IFRS 8 with regard to the "management approach". Similarly, the figures for 2015 have been restated appropriately for comparative purposes.



Corporate boards

Board of Directors

Chairman Patrizia Grieco	Chief Executive Officer and General Manager Francesco Starace	Directors Alfredo Antoniozzi Alessandro Banchi Alberto Bianchi Paola Girdinio Alberto Pera Anna Chiara Svelto Angelo Taraborrelli	Secretary Claudio Sartorelli

Board of Auditors

Chairman Sergio Duca	Auditors Romina Guglielmetti Roberto Mazzei	Alternate auditors Michela Barbiero Alfonso Tono Franco Luciano Tutino

Independent auditors

EY 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 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 23, 2014, 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 and to sign on its behalf, and in addition is vested by a Board resolution of May 23, 2014 with all powers for managing the Company, with the exception of those that are otherwise assigned by law or the bylaws or that the aforesaid resolution reserves for the Board of Directors.

Letter to shareholders and other stakeholders

Dear shareholders and stakeholders,

Last year was characterized by major and often rapid changes in macroeconomic conditions, in response to which Enel made significant progress in implementing our strategy, enabling the Group to seize opportunities in highly complex environments. Enel has become the European utility with the largest market capitalization, underscoring the effectiveness of our strategic approach and capacity for operational implementation.

The macroeconomic environment

The year 2016 was marked by a volatile international environment, with major events occurring in various geographical areas, including the referendum on the exit of the United Kingdom from European Union and the election of the new President of the United States at the end of the year. In the United States, data on growth and the labor market showed a positive trend, as did inflation, which in converging on the target level of 2% prompted the first long-awaited increase in interest rates by the Federal Reserve (Fed) in December 2016.

The euro-area economy displayed considerable resilience in response to a series of intra- and extra-European developments that, despite having weakened expected performance, did not prevent continued positive signs of recovery. Euro-area GDP has in fact grown steadily in recent quarters, although it is still affected by the delay in the economic recovery in a number of euro-area countries and by the persistent disparity in growth between Northern and Southern Europe.

Inflationary pressure in the euro area was below the target level of the European Central Bank (ECB), which has continued to implement an expansionary monetary policy using unconventional tools, but did announced a phased reduction of quantitative easing.

Many of the emerging economies are still suffering the effects of the end of the “commodities super cycle”, political instability and financial difficulties caused by lower revenue and capital outflows. All these factors contributed to producing one of the slowest average growth rates for the emerging economies since 2010.

Globally, commodity markets were highly volatile throughout 2016. In particular, oil prices rose from the lows posted early in the year, at around \$30 a barrel, to peaks of over \$50 a barrel in the latter part of the year. Coal prices, which were strongly impacted by Chinese government measures aimed initially at limiting local production and subsequently at increasing it, varied significantly, rising from lows of around \$40/metric ton early in the year to double that level at the end 2016.

As for European gas, weak fundamentals in the first nine months of the year kept the benchmark TTF price at €12-14/MWh, before experiencing a sharp rise in the 4th Quarter in conjunction with the start of the winter season, increasing to €20/MWh.

Despite the high volatility of commodity prices, investments in renewable energy around the world continue to expand, confirming the trend of recent years.

The main results

For Enel, 2016 was a very positive year. The Group exceeded its targets, which had already been revised upwards during the year.

More specifically, the Group ended 2016 with ordinary EBITDA of €15.2 billion, up from €15 billion last year and better than the guidance provided to the market. Ordinary net income, which is used to calculate the dividend, increased by 12% to €3.2 billion, compared with €2.9 billion last year. The dividend for 2016 amounted to 18 eurocents per share, up 12% compared with 16 eurocents a year earlier. The FFO to net debt ratio, an indicator of financial strength, reached 26%, an improvement over the objective that the Group set itself and an increase on the 25% posted the previous year. As a result of improved cash generation, an interim dividend policy was reinstated with effect as from 2016, which saw the distribution of an interim dividend of 9 eurocents per share in January 2017. Net debt remained broadly stable at €37.6 billion, despite the significant increase in investment for growth (which rose by €1.5 billion compared with 2015) and the increase in dividends distributed.

These very positive results are reflected in the performance of the Enel stock, which in 2016 posted an increase of about 8 percentage points (+12% if one includes dividends distributed during the year). The positive performance of Enel shares is even more significant if compared with the Italian benchmark index (FTSE-MIB), which fell by 10%, and the European sector index (Euro STOXX Utilities EMU), which posted a decline of 8% over the same period.

The Group also posted significant progress towards achievement of the commitments made with regard to the Sustainable Development Goals of the United Nations (SDG), an integral part of our Strategic Plan.

Compared with the targets set for 2020, Group has already reached 75% of the goal of 400,000 beneficiaries under SDG 4 (quality education), about 50% of the 3 million beneficiaries under SDG 7 (affordable energy) and 70% of the new target of 1.5 million beneficiaries under SDG 8 (decent work and economic growth). The Group also closed 2016 having made substantial progress on SDG 13 (combat climate change) and its path towards total decarbonization of the generation mix by 2050: grams of CO₂/kWh_{eq} amounted to about 395 compared with a target of less than 350 for 2020.

The main developments

With regard to industrial growth, in 2016 Enel set a record for the installation of renewables capacity in a year, exceeding the threshold of 2,000 MW built. The Group also launched a new business model denominated “BSO” (Build, Sell and Operate), a less capital-intensive approach that is intended to further accelerate the development of Enel’s extensive global project pipeline in renewables.

In Italy, Enel presented the roll-out plan for the new generation of smart meters, which will be installed in 32 million homes and businesses and is one of the central elements of the Group’s innovation process. The new digital meters enable users to have increasingly open, accessible, technologically advanced and sustainable power.

Also in Italy, 2016 saw the launch of a project to build an ultra-broadband network infrastructure, with the aim of seizing new opportunities for value creation available to those who can offer, with certain timing and on a competitive basis, a modern, future-proof interconnectivity infrastructure. Work also continued on the Future project in Italy, which seeks to redevelop, with a circular economy approach, 23 of Enel’s thermal power stations that have come to the end of their useful life, encouraging the direct involvement of all stakeholders and local communities. To date, four sites have already been redeveloped, and design contests were launched in 2016 for another five sites.

In Spain, the roll-out of the “Cervantes” model digital meter continued last year, with mass installation scheduled for completion in 2017, well in advance of the planned deadline.

In Spain and Portugal, Enel initiated a plan for growth through the acquisition of companies distributing and selling electricity to end users. The program has already started to bear fruit and will continue in the coming years. In 2016, environmental upgrading continued in Spain at the Litoral coal-fired plant (in Almeria), which saw unit 2 enter service in November 2016, while work on unit 1 began in December. These measures are designed to transform the plant into one of the most environmentally efficient in Europe.

With regard to activities in other countries, in December 2016 the Group won the tender for the acquisition of a

major Brazilian distribution company, Celg Distribuição SA, which has about 3 million customers and a network of over 200,000 kilometers. In addition, Enel won major tenders for the construction of renewable generation capacity in Indonesia, Morocco, Mexico, Peru and Zambia.

Major transactions in Enel's active portfolio management program included the completion of the first phase of the sale of its stake in Slovenské elektrárne, and the signing of an agreement for the sale of Marcinelle Energie, with the consequent exit of Enel from the Belgian market. The Italian upstream gas assets were also sold. With regard to Enel's efforts in electric mobility, we installed the world's first vehicle-to-grid (V2G) hub in Denmark. Using V2G technology, electric vehicles can improve the stability of the grid and further promote the integration of renewable energy in the generation mix, which is a key objective of Enel's global energy strategy. Moreover, in accordance with Enel's "Open Innovation" philosophy, an innovation hub was also opened in Israel, with a view to fostering collaboration with actors in the Israeli ecosystem.

These activities and results were also achieved thanks to a more rational and efficient organizational structure. In 2016, the merger of Enel Green Power into Enel was completed, with the convergence of the entire hydroelectric area within the "Global Renewable Energy" business line. Enel also completed the second phase of the corporate restructuring process in Latin America, which is aimed at separating operations in Chile from those in other countries in the area. This led, in December 2016, to the listing of Enel Américas shares on the New York Stock Exchange.

Finally, in 2016, the new Enel logo and brand were presented: an important decision, one that involved the re-branding of the most visible physical assets in different countries and the launch of a new website, a new intranet and new channels of social engagement.

It represented a change in line with the evolution of the Enel culture, which, with its innovative and sustainable vision, is playing increasingly important role in the global energy scenario. A leadership that, in full implementation of "Open Power" values, aspires to contribute every day to the future of the energy world through the creation of value for shareholders and all stakeholders.

Strategy and forecasts for the year 2017

The year 2016 saw the sudden emergence of a profound transformation of the energy sector, which in the coming years will decisively impact the very nature of this industry.

The drive of technological evolution and the pervasive spread of digitization are bringing electricity to meet needs that have previously been met by fossil sources.

This growing penetration of electricity in social life and economic activity is sustaining, on the one hand, a potential reduction of greenhouse gas emissions globally and, on the other hand, represents a major opportunity for the growth and diversification of the Enel Group's activities.

Achieving this depends on firmly pursuing a sustainable and inclusive path of development of all the social structures in which Enel operates, and on continuing the search for efficiency and the progressive decarbonization of the Group's generation resources, accompanied by the digitization of assets and operating processes.

The growth process that has recovered so vigorously in recent years will also continue and accelerate, pursuing the new opportunities that technology and digitization are offering. To do this, a new global organizational unit will be created, charged with identifying and developing all the possible areas of value creation in this new field.

In November 2016, the 2017-2019 Strategic Plan was presented, updating the content of the Group's strategy. The Enel Strategic Plan, which is prepared on an annual basis, is the product of a collaborative effort between management and the Board of Directors, which is called upon to give final approval of the strategy and periodically monitor its implementation.

The Enel Strategic Plan considers sustainability, in inescapable combination with innovation, as an essential factor in creating lasting value for the Company and all its stakeholders, through the identification of new solutions to reduce environmental impact and enhance relationships with local communities. We are aware that the contribution of our business is not only gauged in financial terms, but increasingly on the basis of our ability to generate positive effects

for all stakeholders. In this light, as mentioned earlier, four Sustainable Development Goals of the United Nations have been integrated in the Group Strategic Plan, for which Enel has made formal commitments regarding access to energy, quality education, decent work and economic growth, and climate action.

In this latter regard, the Strategic Plan provides for the Group's renewable capacity to reach approximately 46 GW by 2019, including capacity through the new "BSO" business model (Build, Sell and Operate). Today, 46% of Enel's output is zero emissions, a figure that will reach 56% in 2019, with the objective of total decarbonization of the Group's energy mix by 2050.

In order to achieve such a result, further development of network infrastructure will be of fundamental importance. It will have the task of integrating renewable energy sources in the electrical system, managing the bidirectional electricity flows associated with the growing share of distributed generation. For this reason, aware of the key role that networks will play, the new Strategic Plan increases investment in expanding network infrastructure in Italy and abroad, for a total of €5.8 billion between 2017 and 2019.

Today, Enel has a simpler, more focused, efficient organization, able to execute the strategy effectively and achieve the expected returns: this is underscored by the fact that the objectives that Enel had set in the previous Group Strategic Plan have been achieved well in advance, and this has allowed us to set even more ambitious targets for the coming years.

With the 2017-2019 Strategic Plan, the fundamental pillars of the strategy already in place (i.e. operational efficiency, industrial growth, the simplification of the Group structure and active management of our portfolio) have been expanded to include digitization and customer focus, two key aspects already present in the Group's strategy, but which we have decided to make explicit.

In an evolving macroeconomic environment, Enel is seeking to shape the future of the energy sector by applying digital innovation, not only to increase the efficiency of the business at all stages of the generation, distribution and sale of electricity, but also to offer customers increasingly innovative and quality services. For these reasons, over the horizon of the Plan, plans call for the investment of €4.7 billion to digitize the assets, operations and processes of the Group and to strengthen connectivity, in order to generate value through efficiency and growth.

Enel is a pioneer in the deep transformation of the global energy sector, well positioned to face the difficulties and challenges thrown up by often sudden changes in the scenario. The Company stands ready to use all the levers and the flexibility gained in the past three years to seize the opportunities for growth and creation of new value, which the changes taking place in the industry are making possible.

The Chairman of the Board of Directors

Patrizia Grieco

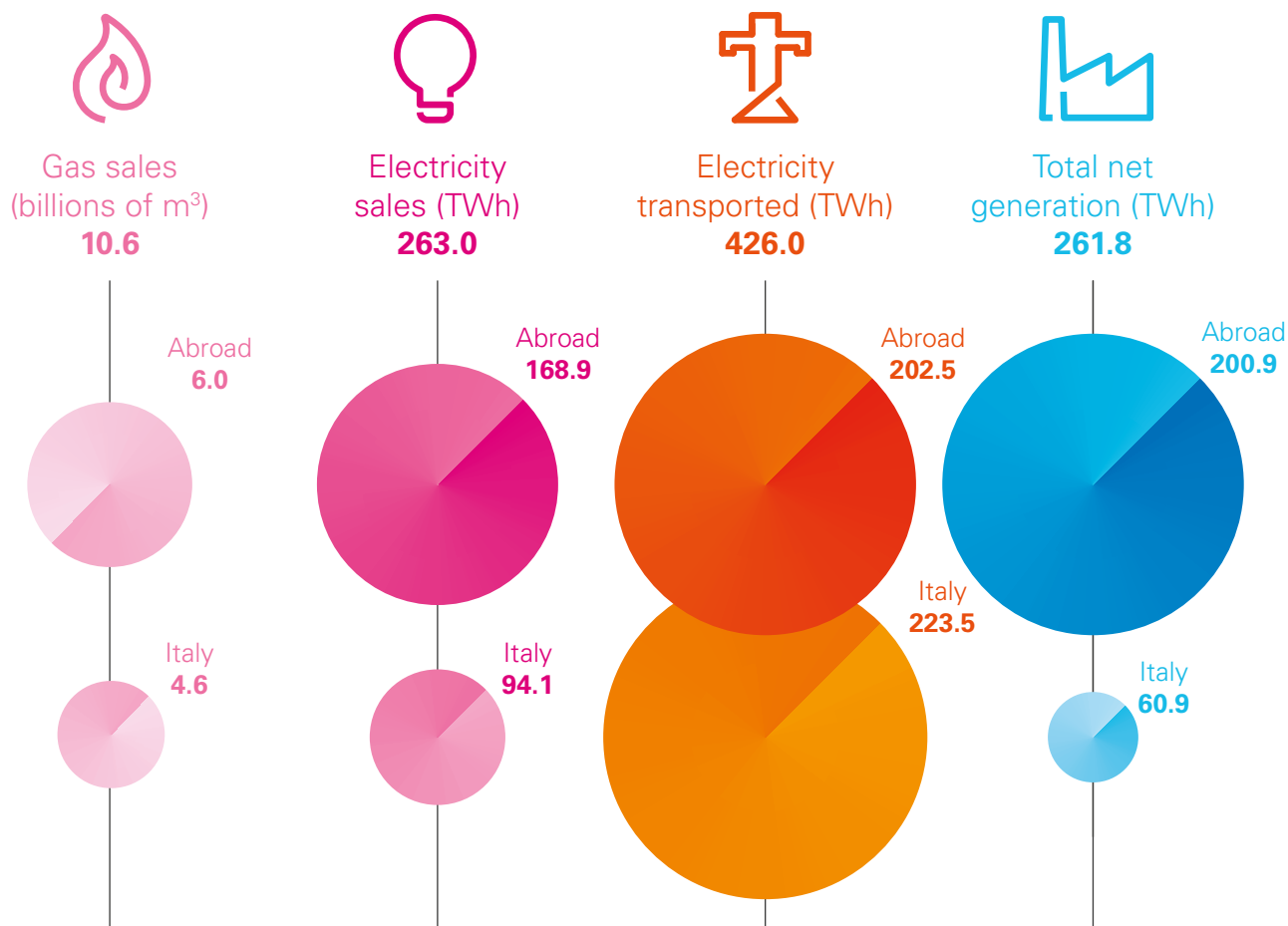


The Chief Executive Officer

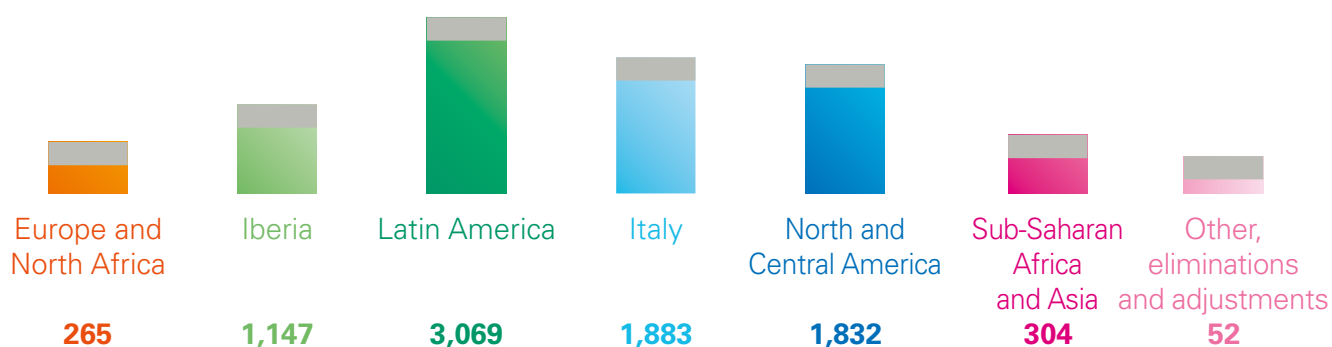
Francesco Starace



Summary of results



Capital expenditure by business area **8,552** (millions of euro)

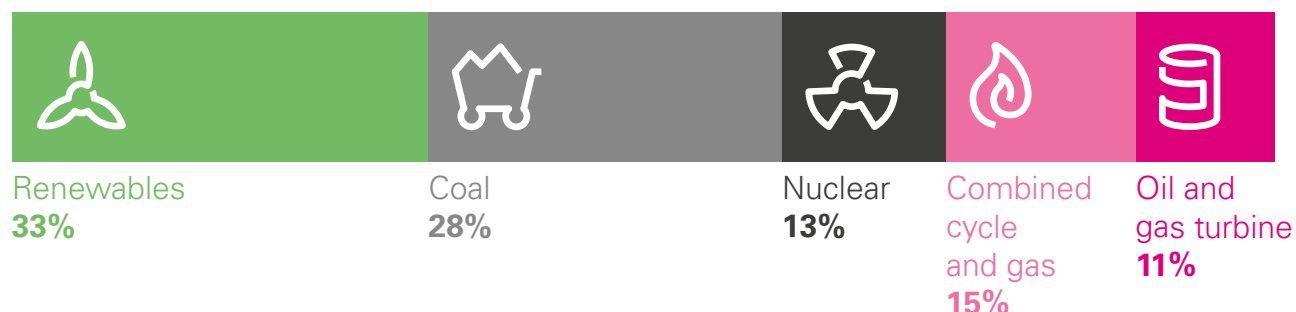


Performance in 2016 (compared with 2015)



Revenue
70,592
-6.7%

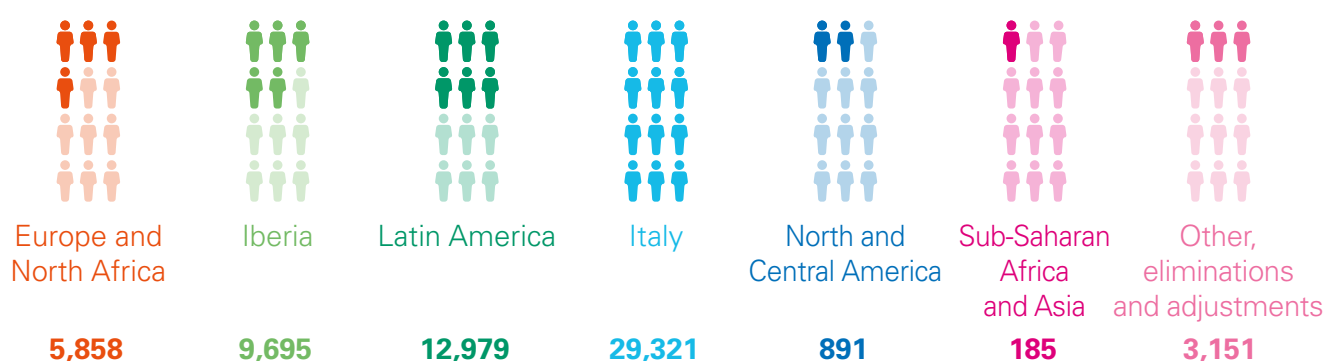
Total net generation by resource **261.8** (TWh)



Net generation by renewable resource **86.0** (TWh)



Employees by business area **62,080**



(millions of euro)

Gross operating margin
15,276
-0.1%

Operating income
8,921
+16.1%

Net income
3,787
+12.0%

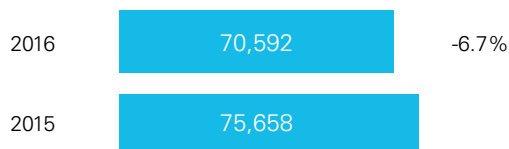
Performance data

Revenue

Revenue in 2016 amounted to €70,592 million, a decrease of €5,066 million (-6.7%) compared with 2015. The decline mainly reflected the adverse effect of the appreciation of the euro against other currencies (€1,286 million, especially concentrated in Latin America), a reduction in electricity trading (€1,062 million), the deconsolidation of Slovenské elektrárne following its sale at the end of July 2016 (€767 million), a reduction in sales of electricity to end users in mature markets and the reduction in sales of electricity generated. Other factors were the recognition in 2015 of the grants received in Argentina under the provisions of *Resolución 32/2015*.

As regards revenue from extraordinary transactions, in 2016 the item mainly regarded the gains from the sale of GNL Quintero and Hydro Dolomiti Enel of €173 million and €124 million respectively, while in 2015 it included the gain on the disposal of SE Hydropower of €141 million, the negative goodwill and the concomitant remeasurement at fair value of the interest already held by the Group following the acquisition of 3Sun for a total of €116 million.

millions of euro



Millions of euro

	2016	2015 restated	Change	
Italy	36,957	40,727	(3,770)	-9.3%
Iberia	18,953	20,484	(1,531)	-7.5%
Latin America	10,768	10,828	(60)	-0.6%
Europe and North Africa	3,798	4,990	(1,192)	-23.9%
North and Central America	1,125	882	243	27.6%
Sub-Saharan Africa and Asia	29	18	11	61.1%
Other, eliminations and adjustments	(1,038)	(2,271)	1,233	54.3%
Total	70,592	75,658	(5,066)	-6.7%

Gross operating margin

The **gross operating margin** in 2016 totaled €15,276 million, down €21 million (-0.1%) compared with 2015, reflecting exchange rate losses of €372 million and the partial reversal (€550 million) in 2015 of the provision for charges for the disposal of depleted nuclear fuel following the introduction of new regulations in Slovakia.

These effects were partly offset by the general rise in margins in nearly all the geographical areas, notably in Latin America (both in the generation and the distribution and sale of electricity) and in mature end-user markets (Italy and Spain), as well as the effect of the charges recognized in 2015 following the formalization of a number of agreements for the early retirement of personnel in those countries.

millions of euro

2016	15,276	-0.1%
2015	15,297	

Millions of euro

	2016	2015 restated	Change	
Italy	6,679	6,916	(237)	-3.4%
Iberia	3,562	3,353	209	6.2%
Latin America	3,556	3,306	250	7.6%
Europe and North Africa	762	1,451	(689)	-47.5%
North and Central America	833	575	258	44.9%
Sub-Saharan Africa and Asia	14	7	7	-
Other, eliminations and adjustments	(130)	(311)	181	58.2%
Total	15,276	15,297	(21)	-0.1%

The **ordinary gross operating margin** amounted to €15,174 million, up €134 million on 2015 (+0.9%). Extraordinary items for 2016, which are not reflected in the ordinary gross operating margin, amounted to €102 million, including:

- > the gains on the sale of GNL Quintero and Hydro Dolomiti Enel for €173 million and €124 million respectively;
- > the losses recognized following the definitive abandon-

ment of the development of a number of hydroelectric projects in Chile and Peru (about €195 million).

In addition, in 2015 extraordinary items amounted to €257 million, reflecting the gain of €141 million from the sale of SE Hydropower and the recognition of the negative goodwill and remeasurement at fair value of 3Sun, for a total of €116 million, following the acquisition of control.

Millions of euro

	2016	2015 restated	Change	
Italy	6,555	6,659	(104)	-1.6%
Iberia	3,562	3,353	209	6.2%
Latin America	3,578	3,306	272	8.2%
Europe and North Africa	762	1,451	(689)	-47.5%
North and Central America	833	575	258	44.9%
Sub-Saharan Africa and Asia	14	7	7	-
Other	(130)	(311)	181	58.2%
Total	15,174	15,040	134	0.9%

Operating income

Operating income in 2016 amounted to €8,921 million, an increase of €1,236 million compared with 2015 (€7,685 million), with a decrease in depreciation, amortization and impairment losses of €1,257 million. The latter was almost entirely attributable to impairment, which in 2016 mainly regarded the writedown of the value of water usage rights for hydroelectric projects on the rivers Neltume and Choshuen-co in Chile, which face procedural difficulties (€273 million), upstream gas assets (€55 million) as well as the writedowns recognized following impairment testing of the Enel Green Power Romania CGU (€130 million) and the Nuove Energie CGU (€92 million). In 2015, the item regarded the Enel Russia CGU (€899 million), the Enel Green Power Romania CGU (€155 million), the upstream gas exploration assets (€159 million) and Slovenské elektrárne (€574 million), the latter reflecting the adjustment of the value of its net assets to their estimated realizable value.

millions of euro

2016	8,921	+16.1%
2015	7,685	

Millions of euro

	2016	2015 restated	Change	
Italy	4,387	4,588	(201)	-4.4%
Iberia	1,766	1,473	293	19.9%
Latin America	2,163	2,320	(157)	-6.8%
Europe and North Africa	286	(569)	855	-
North and Central America	565	338	227	67.2%
Sub-Saharan Africa and Asia	(5)	4	(9)	-
Other	(241)	(469)	228	-48.6%
Total	8,921	7,685	1,236	16.1%

Ordinary operating income, which in addition to not including the items excluded from ordinary gross operating margin does not consider the effects of the impairment noted above, amounted to €9,436 million, an increase of €221

million (2.4%) on 2015. In addition to the rise in the ordinary gross operating margin, the change essentially reflected a decline in net writedowns of trade receivables.

Millions of euro

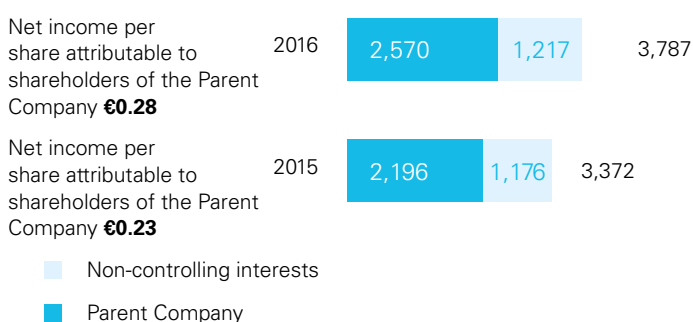
	2016	2015 restated	Change	
Italy	4,356	4,331	25	0.6%
Iberia	1,766	1,473	293	19.9%
Latin America	2,458	2,320	138	5.9%
Europe and North Africa	486	1,059	(573)	-54.1%
North and Central America	565	338	227	67.2%
Sub-Saharan Africa and Asia	(5)	4	(9)	-
Other	(190)	(310)	120	-38.7%
Total	9,436	9,215	221	2.4%

Net income

Net income attributable to shareholders of the Parent Company amounted to €2,570 million in 2016, compared with €2,196 million in 2015. More specifically, the increase in operating income was partly offset by a rise in net financial expense (not associated with borrowing but rather mainly connected with net charges on derivatives, net of exchange rate gains), the effects of the adjustment to fair value of the remaining interest held by the Group in Slovak Power Holding and the receivable from the sale of 50% of that com-

pany (a total of €439 million) and the adverse impact of the increase in taxes, which in addition to greater pre-tax income and a number of changes in tax rates (in Italy in 2015 and in Peru in 2016) that prompted an adjustment of deferred taxation also reflected a change between the two years under comparison in the weight of a number of income components generated by extraordinary transactions subject to tax exemption rules (the participation exemption system).

millions of euro



Ordinary net income attributable to shareholders of the Parent Company in 2016 amounted to €3,243 million (€2,887 million in 2015), an increase of €536 million on 2015. The following table provides a reconciliation of net income

and ordinary net income attributable to shareholders of the Parent Company, reporting the non-ordinary items and their respective impacts on net income, excluding the associated tax effects and non-controlling interests.

Millions of euro

	2016
Net income attributable to shareholders of the Parent Company	2,570
Gain on disposal of Hydro Dolomiti Enel	(122)
Gain on disposal of GNL Quintero	(45)
Abandonment of projects and impairment of hydroelectric projects in Chile and Peru	130
Impairment of Enel Green Power Romania	109
Impairment of Marcinelle Energie	34
Impairment of upstream gas assets	41
Impairment of Nuove Energie	74
Impairment and adjustment to fair value of assets of Slovenské elektrárne	452
Ordinary net income attributable to shareholders of the Parent Company	3,243

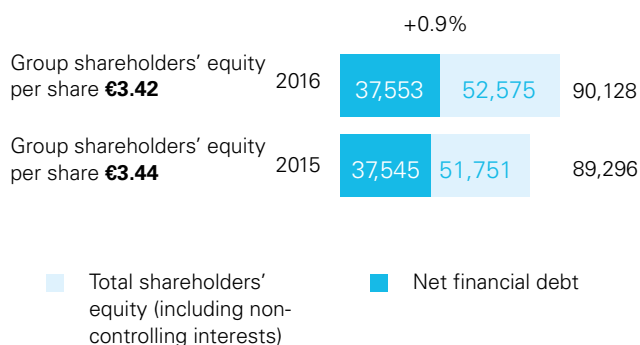
Financial data

Net capital employed

Net capital employed, including net assets held for sale of €11 million, amounted to €90,128 million at December 31, 2016 and was financed by equity pertaining to shareholders of the Parent Company and non-controlling interests of €52,575 million and net financial debt of €37,553 million. At December 31, 2016, the debt/equity ratio came to 0.71 (0.73 at December 31, 2015).

Net financial debt came to €37,553 million, an increase of €8 million on December 31, 2015.

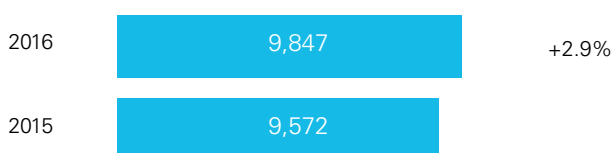
millions of euro



Cash flows from operations

Cash flows from operations amounted to €9,847 million in 2016, an increase of €275 million on the previous year.

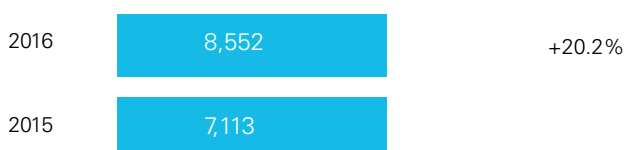
millions of euro



Capital expenditure

Capital expenditure amounted to €8,552 million in 2016 (of which €7,637 million in respect of property, plant and equipment), an increase of €1,439 million on 2015, mainly concentrated in renewable energy plants in North America and Mexico.

millions of euro



Millions of euro

	2016	2015 restated	Change	
Italy	1,883	1,843 ⁽¹⁾	40	2.2%
Iberia	1,147	1,001	146	14.6%
Latin America	3,069	2,937	132	4.5%
Europe and North Africa	265 ⁽²⁾	249 ⁽³⁾	16	6.4%
North and Central America	1,832	720	1,112	-
Sub-Saharan Africa and Asia	304	311	(7)	-2.3%
Other, eliminations and adjustments	52 ⁽⁴⁾	52	-	-
Total	8,552	7,113	1,439	20.2%

(1) Does not include €1 million regarding units classified as "held for sale".

(2) Does not include €283 million regarding units classified as "held for sale".

(3) Does not include €648 million regarding units classified as "held for sale".

(4) Does not include €7 million regarding units classified as "held for sale".

Operations

	Italy	Abroad	Total	Italy	Abroad	Total
	2016			2015		
Net electricity generated by Enel (TWh)	60.9	200.9	261.8	68.5	215.5	284.0
Electricity transported on the Enel distribution network (TWh) ⁽¹⁾	223.5	202.5	426.0	227.1	200.3	427.4
Electricity sold by Enel (TWh) ⁽²⁾	94.1	168.9	263.0	88.0	172.1	260.1
Gas sales to end users (billions of m ³) ⁽³⁾	4.6	6.0	10.6	4.1	5.3	9.4
Employees at period-end (no.) ⁽⁴⁾	31,956	30,124	62,080	33,040	34,874	67,914

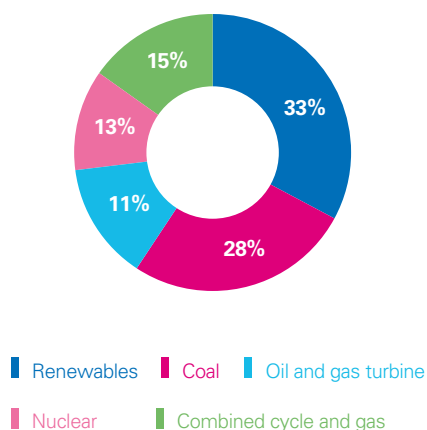
(1) The figure for 2015 reflects a more accurate measurement of amounts transported.

(2) Excluding sales to resellers.

(3) The figure for 2015 reflects a more accurate measurement of amounts sold.

(4) Of which 4,301 in units classified as "held for sale" at December 31, 2015.

Net electricity generation by source
(2016)

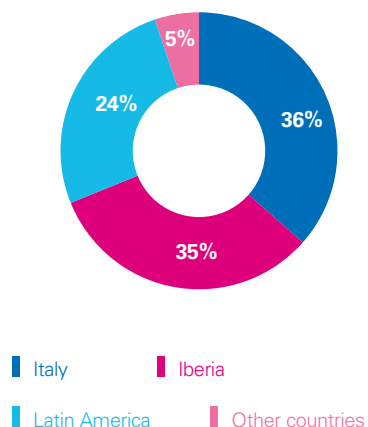


Net electricity generated by Enel in 2016 decreased by 22.2 TWh on 2015 (-7.8%), due to the decrease in amounts generated in Italy (-7.6 TWh) and abroad (-14.6 TWh). The decline in generation in Italy is mainly attributable to the contraction in demand, lower water availability and an increase in stoppages at thermal generation plants for maintenance. Abroad, the reduction reflects the deconsolidation at the end of July of Slovenské elektrárne (-8.6 TWh), drought conditions in Latin America caused by "El Niño", and an increase in power imported in Spain, which penalized generation on the Iberian peninsula.

As regards the technology mix, the change is mainly attributable to a decrease in coal-fired generation (-13.3 TWh), nuclear generation (-6.4 TWh) and hydroelectric generation (-5.9 TWh). These effects were only partly offset by an increase in wind generation (+2.1 TWh) and solar generation (+0.5 TWh).

Finally, 33% of the electricity generated by Enel in 2016 came from renewable sources (31% in 2015).

Electricity sold by geographical area
(2016)



Electricity transported on the Enel distribution network

in 2016 amounted to 426.0 TWh, down 1.4 TWh (-0.3%), essentially reflecting the decline in demand in Italy, only partially offset by the increase in amounts transported in Spain and Romania.

Electricity sold by Enel

in 2016 amounted to 263.0 TWh, up 2.9 TWh (+1.1%) on the previous year, reflecting the increase in amounts sold on markets in Italy (+6.1 TWh, with the largest increase coming in the business customer segment) and Spain (+0.6 TWh), only partly offset by a decrease in amounts sold in France and Slovakia (a total of 3.5 TWh following the Group's exit from those markets after deconsolidation) and in Latin America (-0.3 TWh).

At December 31, 2016, Enel Group **employees** numbered 62,080 (a decrease of 5,834 on the end of 2015). The decrease reflects the net balance of new hires and terminations (-1,554) and the change in the scope of consolidation (-4,280 overall), which included the deconsolidation of Slovenské elektrárne, Enel France and Marcinelle Energie.

No.

	at Dec. 31, 2016	at Dec. 31, 2015 restated
Italy	29,321	30,374
Iberia	9,695	10,225
Latin America	12,979	12,802
Europe and North Africa ⁽¹⁾	5,858	10,367
North and Central America	891	810
Sub-Saharan Africa and Asia	185	120
Other	3,151	3,216
Total	62,080	67,914

(1) Of which 4,301 in units classified as "held for sale" at December 31, 2015.

Environmental, social and governance indicators

	2016	2015	Change	
"Zero-emission" generation (% of total)	45.6	45.5	0.1	0.2%
Total specific emissions of CO ₂ from net generation (gCO ₂ /kWh _{eq}) ⁽¹⁾	395	409	(14)	-3.4%
Average efficiency of thermal plants (%) ⁽²⁾	40.0	39.7	0.3	0.7%
Specific emissions of SO ₂ (g/kWh) ⁽¹⁾	0.82	1.07	(0.2)	-23.4%
Specific emissions of NO _x (g/kWh) ⁽¹⁾	0.75	0.78	(0.03)	-3.8%
Specific emissions of particulates (g/kWh) ⁽¹⁾	0.22	0.26	(0.04)	-15.4%
ISO 14001-certified net efficient capacity (% of total)	97.9	97.6	0.3	0.3%
Enel injury frequency rate ⁽³⁾	1.26	1.27	(0.01)	-0.8%
Enel injury severity rate ⁽⁴⁾	0.051	0.047	0.004	8.5%
Serious and fatal injuries at Enel (no.)	6	7	(1)	-14.3%
Serious and fatal injuries at contractors (no.)	12	33	(21)	-63.6%
Verified violations of the Code of Ethics (no.) ⁽⁵⁾	18	34	(16)	-47.1%

(1) Specific emissions are calculated as total emissions from simple thermal generation and co-generation of electricity and heat as a ratio of total renewables generation, nuclear generation, simple thermal generation and co-generation of electricity and heat (including the contribution of heat in MWh equivalent).

(2) Percentages calculated using a new approach that does not include the Italian oil and gas (O&G) thermal plants, with the exception of Mercure, as they are of marginal significance or are being disposed of. The contribution of the O&G thermal plants was not included in the Net Heat Value owing to the small number of hours of operation and net output (less than 1% of Italian output with a net installed capacity of about 2.7 GW). The Mercure plant was included, even though classified as an O&G unit, because of the use of biomass as the principal fuel and because it is a base load unit. The heat component for Russian co-generation plants is not included in the calculation. Average efficiency is calculated on the plants and is weighted by production values.

(3) The indicator is calculated as the ratio between the total number of injuries and the number of hours worked, in millions (INAIL standard).

(4) The indicator is calculated as the ratio between the number of days lost for injuries and the number of hours worked, in thousands (INAIL standard).

The analysis of reports received in 2015 was completed in 2016. For that reason, the number of verified violations for 2015 was restated from 32 to 34.

(5) Violations for 2016 regard reports received in 2016 and verified in 2016.

About 46% of Enel's total generation output came from zero-emission resources in 2016. In line with the decarbonization objective for 2050, new renewables capacity totaling about 2 GW was installed and specific CO₂ emissions fell by about 3%.

The reduction was attributable to the decrease in use of coal-fired thermal generation plants.

The average efficiency of thermal plants was virtually unchanged on 2015.

Specific atmospheric emissions declined across the board in 2016: emissions of SO₂ declined by about 23%, while NO_x emissions declined by about 4% and particulates fell by about 15% compared with 2015. These figures were in line with Group targets for 2020.

The Enel Group has an environmental management system that covers almost 100% of all activities (generation plants,

grids, services, properties, sales, etc.). The entire scope of operations is certified except for new plants and newly acquired or constructed installations, which require a certain amount of time for certification.

Injury frequency and severity rates for employees of the Enel Group were equal to 1.26 (1.27 in 2015) and about 0.05 (unchanged on 2015).

In 2016 there were 6 serious injuries involving Enel personnel (no fatal accidents) and 12 serious injuries, of which 5 fatal, involving the employees of contractors working for Enel (a total of 21 fewer events than in 2015).

Reports of violations of the Code of Ethics numbered 85 last year. Following analysis in 2016, 18 were classified as violations.

Overview of the Group's operations, performance and financial position

Definition of performance indicators

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

As regards those indicators, on December 3, 2015, CONSOB issued Communication 92543/2015, which gives force to the Guidelines issued on October 5, 2015, by the European Securities and Markets Authority (ESMA) concerning the presentation of alternative performance measures in regulated information disclosed or prospectuses published as from July 3, 2016. These Guidelines, which update the previous CESR Recommendation (CESR/05-178b), are intended to promote the usefulness and transparency of alternative performance indicators included in regulated information or prospectuses within the scope of application of Directive 2003/71/EC in order to improve their comparability, reliability and comprehensibility.

Accordingly, in line with the regulations cited above, the criteria used to construct these indicators are as follows.

Gross operating margin: an operating performance indicator, calculated as "Operating income" plus "Depreciation, amortization and impairment losses".

Ordinary gross operating margin: an indicator calculated by eliminating from the gross operating margin all items con-

nected with non-recurring transactions such as acquisitions or disposals of entities (e.g. capital gains and losses), with the exception of those in the renewables development segment, in line with the new "Build, Sell and Operate" business model launched in the 4th Quarter of 2016, in which the income from the disposal of projects in that sector is the result of an ordinary activity for the Group.

Ordinary operating income: this is calculated by correcting "operating income" for the effects of the non-recurring transactions referred to with regard to the gross operating margin, as well as significant impairment losses on assets following impairment testing or classification under "assets held for sale".

Group ordinary net income: this is defined as "Group net income" generated by Enel's core business and is equal to "Group net income" less the effects on net income (including the impact of any tax effects or non-controlling interests) of the items referred to in the comments on "ordinary operating income".

Net non-current assets: calculated as the difference between "Non-current assets" and "Non-current liabilities" with the exception of:

- > "Deferred tax assets";
- > "Securities held to maturity", "Financial investments in funds or portfolio management products measured at fair value through profit or loss" and "Other financial receivables" included in "Other non-current financial assets";
- > "Long-term borrowings";
- > "Employee benefits";
- > "Provisions for risks and charges (non-current portion)";
- > "Deferred tax liabilities".

Net current assets: calculated as the difference between "Current assets" and "Current liabilities" with the exception of:

- > "Long-term financial receivables (short-term portion)", "Factoring receivables", "Securities held to maturity",

"Cash collateral" and "Other financial receivables" included in "Other current financial assets";

- > "Cash and cash equivalents";
- > "Short-term borrowings" and the "Current portion of long-term borrowings";
- > "Provisions for risks and charges (current portion)";
- > "Other financial payables" included in "Other current liabilities".

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

Net capital employed: calculated as the algebraic sum of "Net non-current assets" and "Net current assets", "Provisions for risks and charges", "Deferred tax liabilities" and "Deferred tax assets", as well as "Net assets held for sale".

Net financial debt: a financial structure indicator, calculated as:

- > "Long-term borrowings" and "Short-term borrowings

and the current portion of long-term borrowings", taking account of "Short-term financial payables" included in "Other current liabilities";

- > net of "Cash and cash equivalents";
- > net of the "Current portion of long-term financial receivables", "Factoring receivables", "Cash collateral" and "Other financial receivables" included in "Other current financial assets";
- > net of "Securities held to maturity", "Securities available for sale", "Financial investments in funds or portfolio management products measured at fair value through profit or loss" and "Other financial receivables" included in "Other non-current financial assets".

More generally, the net financial debt of the Enel Group is calculated in conformity with paragraph 127 of Recommendation CESR/05-054b implementing Regulation 2004/809/EC and in line with the CONSOB instructions of July 26, 2007, net of financial receivables and long-term securities.

Main changes in the scope of consolidation

In the two periods under review, the scope of consolidation changed as a result of a number of transactions. For more information, please see note 5 in the notes to the consolidated financial statements.

Group performance

Millions of euro

	2016	2015	Change	
Total revenue	70,592	75,658	(5,066)	-6.7%
Total costs	55,183	60,529	(5,346)	-8.8%
Net income/(expense) from commodity contracts measured at fair value	(133)	168	(301)	-
Gross operating margin	15,276	15,297	(21)	-0.1%
Depreciation, amortization and impairment losses	6,355	7,612	(1,257)	-16.5%
Operating income	8,921	7,685	1,236	16.1%
Financial income	4,173	4,018	155	3.9%
Financial expense	7,160	6,474	686	10.6%
Total financial income/(expense)	(2,987)	(2,456)	(531)	-21.6%
Share of income/(losses) of equity investments accounted for using the equity method	(154)	52	(206)	-
Income before taxes	5,780	5,281	499	9.4%
Income taxes	1,993	1,909	84	4.4%
Net income from continuing operations	3,787	3,372	415	12%
Net income from discontinued operations	-	-	-	-
Net income (Group and non-controlling interests)	3,787	3,372	415	12%
Net income attributable to shareholders of Parent Company	2,570	2,196	374	17%
Net income attributable to non-controlling interests	1,217	1,176	41	3%

Revenue

Millions of euro

	2016	2015	Change	
Revenue from the sale of electricity	42,337	46,638	(4,301)	-9.2%
Revenue from the transport of electricity	9,587	9,911	(324)	-3.3%
Fees from network operators	557	826	(269)	-32.6%
Transfers from institutional market operators	1,462	1,152	310	26.9%
Revenue from the sale of gas	3,876	4,045	(169)	-4.2%
Revenue from the transport of gas	563	509	54	10.6%
Gains on disposal and negative goodwill on acquisitions of subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	399	313	86	27.5%
Remeasurement at fair value after changes in control	99	80	19	23.8%
Gains on the disposal of property, plant and equipment and intangible assets	65	52	13	25.0%
Other sales, services and revenue	11,647	12,132	(485)	-4.0%
Total	70,592	75,658	(5,066)	-6.7%

In 2016 **revenue from the sale of electricity** amounted to €42,337 million, a decrease of €4,301 million compared with the previous year (-9.2%). The decline mainly reflected the following factors:

- > a reduction of €2,367 million in wholesale electricity sales, mainly due to a decline in revenue from transactions on electricity exchanges (€1,143 million), essentially reflecting a decrease in quantities sold at declining average prices, a reduction in sales under bilateral contracts (€684 million), and the impact of the deconsolidation as from July 2016 of Slovenské elektrárne (€577 million);
- > a decrease of €893 million in revenue from electricity sales to end users, essentially reflecting the contraction in sales on the mature markets of Italy and Spain, mainly due to the fall in average unit prices. More specifically:
 - revenue on the market of users eligible for the “*Tarifa de Último Recurso*” fall by €472 million compared with 2015;

- the deconsolidation of Slovenské elektrárne had a negative impact of €293 million;
- revenue from sales on the free market fell by €136 million, essentially attributable to Italy;
- > a decrease of €1,062 million in revenue from electricity trading, reflecting the combined impact of a reduction in volumes handled and in average prices.

Revenue from the transport of electricity amounted to €9,587 million in 2016, a decrease of €324 million, mainly in Italy, where the effects of an increase in volumes were more than offset by the reduction in distribution rates (Authority for Electricity, Gas and the Water System - the "Authority" Resolution 654/2015 - "Rates for electricity transmission, distribution and metering services for the 2016-2023 regulatory period"). The change also reflects the further negative impact of the recognition of additional revenue in 2015 following the changes to the regulatory lag introduced with Authority Resolution 654/2015.

Revenue from **transfers from institutional market operators** totaled €1,462 million in 2016, up €310 million compared with the previous year. More specifically, the increase in transfers mainly reflected an increase in incentives received in the form of feed-in premiums (formerly green certificates) by the renewables generation companies in Italy following the replacement of the green certificate incentive system with the Ministerial Decree of July 6, 2012.

Revenue from the sale of gas in 2016 amounted to €3,876 million, a decrease of €169 million (-4.2%) compared with the previous year. The changes essentially reflected the decline in revenue in Iberia as a result of lower average unit prices than in 2015.

Revenue from the transport of gas in 2016 amounted to €563 million, an increase of €54 million (+10.6%), largely as a result of the increase in quantities transported in Italy.

The item **gains on disposal and negative goodwill** amounted to €399 million in 2016, an increase of €86 million (+27.5%) compared with 2015. The figure for 2016 includes the following main transactions:

- > the gain from the disposal of GNL Quintero (an associate in which the Group had held 20%) of €173 million;
- > the gain of €124 million from the sale of Hydro Dolomiti Enel;
- > the gain of €35 million recognized by Enel Green Power Kansas from the disposal of its subsidiaries Cimarron and Lindahl;

- > the recognition of a price adjustment on the Portuguese assets sold in 2015 in the amount of €30 million.

In 2015, the item mainly consisted of:

- > the gain of about €141 million from the sale of SE Hydro-power;
- > the gain of about €15 million from the sale of SF Energy;
- > the negative goodwill of €76 million from the acquisition of control of 3Sun.

Gains from **remeasurement at fair value after changes in control** in 2016 came to €99 million (€80 million in 2015). More specifically, the gains for 2016 include €95 million in respect of the adjustment to fair value of the assets and liabilities of the Group following the changes in governance arrangements and the consequent loss of control of Enel Green Power North America Renewable Energy Partners ("EGPNA REP"), which prompted a remeasurement to fair value of its interest in the company sold. Gains in 2015 included the adjustment to fair value of the assets and liabilities pertaining to the Group already held by Enel prior to the acquisition of full control of 3Sun (€40 million) and ENEOP (€29 million).

Gains on the disposal of property, plant and equipment and intangible assets in 2016 amounted to €65 million (€52 million in 2015) and mainly regard ordinary disposals during the period.

Revenue under **other sales, services and revenue** amounted to €11,647 million in 2016, a decrease of €485 million compared with 2015 (€12,132 million or -4.0%).

The decline is mainly attributable to:

- > the effect of the recognition in 2015 of a number of regulatory items (€354 million) in Argentina following the introduction of *Resolución 32/2015* concerning the recognition of revenue on the basis of a theoretical framework and the *Mecanismo de Monitoreo de Costos*;
- > a reduction in revenue from environmental certificates (from transfers received and revenue from the sale of the certificates) amounting to €121 million as a result of the changes in the applicable regulations and developments in quantities handled.

Costs

Millions of euro

	2016	2015	Change	
Electricity purchases	18,514	22,218	(3,704)	-16.7%
Consumption of fuel for electricity generation	4,738	5,570	(832)	-14.9%
Fuel for trading and gas for sale to end users	9,061	10,087	(1,026)	-10.2%
Materials	1,708	1,078	630	58.4%
Personnel	4,637	5,313	(676)	-12.7%
Services, leases and rentals	15,411	15,148	263	1.7%
Other operating expenses	2,783	2,654	129	4.9%
Capitalized costs	(1,669)	(1,539)	(130)	-8.4%
Total	55,183	60,529	(5,346)	-8.8%

Costs for **electricity purchases** in 2016 fell by €3,704 million compared with 2015, representing a contraction of 16.7%. The decrease reflected the reduction in average provisioning prices as well as a decline in volumes purchased. More specifically, 2016 saw a decline in purchases through bilateral contracts on national and international markets, especially in Italy and Spain (-€756 million compared with 2015) and a reduction in costs for purchases of electricity on electricity exchanges (-€416 million) and a decline in other types of purchases, mainly on the national market, in the amount of about €2,353 million, as well as a decrease of €313 million associated with the deconsolidation of Slovenské elektrárne.

Costs for the **consumption of fuel for electricity generation** amounted to €4,738 million in 2016, down €832 million (-14.9%) on the previous year. The decrease reflects the reduction in the average unit prices of fuels and a fall in conventional electricity generation compared with 2015.

Costs for the purchase of **fuel for trading and gas for sale to end users** came to €9,061 million in 2016, a decrease of €1,026 million compared with 2015. The change reflects the decline in the average prices of commodities, the decrease in purchases of gas for end users as well as the beneficial impact of completed price reviews (€333 million). These factors were only partly offset by an increase in purchases of gas associated with trading operations.

Costs for **materials** in 2016 amounted to €1,708 million, an increase of €630 million compared with the previous year. The rise was mainly attributable to an increase in provisioning of CO₂ allowances and environmental certificates in

general on the market, whereas in 2015 internal Group purchases had predominated.

Personnel costs in 2016 totaled €4,637 million, a decrease of €676 million (-12.7%) compared with 2015. The decline essentially reflects:

- > a decrease in costs for early retirement incentives of €1,373 million, mainly in respect of agreements signed in 2015 for early termination in accordance with Article 4 of Law 92/2012 (€1,128 million), partly offset by the increase in costs (€159 million) due to the introduction of early retirement incentives in the two years in Spain (*Plan de Salida*);
- > the effect of the reversal in 2015 (€902 million) of the provision for electricity discounts for former Italian employees as a result of the unilateral revocation of the benefit;
- > a reduction in the average workforces in Italy and Spain, in part attributable to early retirement incentives introduced in previous years that are still being implemented;
- > a decrease in costs due to the deconsolidation of Slovenské elektrárne (€52 million).

The Enel Group workforce at December 31, 2016 numbered 62,080, of whom 30,124 abroad. The Group workforce fell by 5,834 in 2016, reflecting the negative balance between new hires and terminations (-1,554 employees), attributable to the early retirement incentives noted earlier (44% of terminations took place in Italy) and the changes in the scope of consolidation (-4,280), essentially attributable to the deconsolidation of the Slovakian companies.

The overall change compared with December 31, 2015 breaks down as follows:

Balance at December 31, 2015	67,914
Hirings	3,360
Terminations	(4,914)
Change in scope of consolidation	(4,280)
Balance at December 31, 2016	62,080

Costs for **services, leases and rentals** in 2016 amounted to €15,411 million, an increase of €263 million compared with 2015. The change during the period essentially reflects a rise in wheeling costs (€330 million), only partly offset by a decline in network access costs.

Other operating expenses in 2016 amounted to €2,783 million, an increase of €129 million compared with 2015, essentially reflecting a number of especially large non-recurring items, including:

- > the reversal in 2015 of the nuclear waste disposal provision in Slovakia in the amount of €550 million following an analysis by independent experts, who took account of the regulatory changes introduced in July 2015 by the Slovakian government, which approved a new strategy for handling the “back end” of spent nuclear fuel;
- > the provision recognized in 2015 (€327 million) for compensation to former Italian employees for the unilateral revocation of the electricity discount as from December 31, 2015, which was subsequently reversed in the amount of €56 million to reflect non-participation by the final deadline of December 31, 2016;
- > the losses recognized in 2016 in Latin America following the abandonment of water usage rights for various development projects following an analysis of their profitability and socio-economic impact. The projects involved were the Puelo, Futaleufú, Bardón, Chillán 1 and 2, and Huechún initiatives in Chile (€166 million) and the Curi-bamba and Marañón projects in Peru (€30 million);
- > the reversal in 2016 (€28 million) of provisions for obligations for the construction and development of the Girabolhos hydroelectric plant in Portugal. The provisions had been recognized in the same amount in 2015;
- > the reversal of litigation provisions recognized in respect of the SAPE dispute in the amount of €80 million following the completion of the arbitration proceeding in 2016.

Excluding these items, other operating expenses fell by €98 million, essentially reflecting:

- > a reduction of €211 million in taxes and duties, essentially attributable to:
 - a reduction of €76 million in taxes on generation in Spain under the provisions of Law 15/2012 in relation to

the decline in amounts generated;

- the elimination as unconstitutional of the tax on nuclear generation in the Spanish region of Catalonia in the amount of €89 million;
- the reduction in environmental taxes following the reduction in local property taxes, partly reflecting legislative changes in the taxation of industrial plants in Italy (about €60 million);
- > an increase in costs for environmental compliance in the amount of €129 million.

In 2016, **capitalized costs** amounted to €1,669 million, an increase of €130 million compared with the previous year, reflecting the increase in capital expenditure.

Net income/(expense) from commodity contracts measured at fair value showed net expense of €133 million in 2016 (net income of €168 million the previous year). More specifically, the net income for 2016 was essentially attributable to net unrealized income in the period totaling €74 million (net expense of €302 million in 2015) and net realized charges in the amount of €207 million (net income of €304 million in 2015).

Depreciation, amortization and impairment losses in 2016 amounted to €6,355 million, a decrease of €1,257 million, almost entirely attributable to impairment. More specifically, the impairment losses recognized in 2015 mainly regarded the Enel Russia CGU (€899 million), the Enel Green Power Romania CGU (€155 million), upstream gas exploration assets (€159 million) and Slovenské elektrárne (€574 million), the latter to realign the carrying amount with estimated realizable value. The same item in 2016 includes the writedown of water usage rights in projects involving the Neltume and Choshuenco rivers in Chile for which procedural difficulties have been identified (€273 million), as well as writedowns recognized following impairment testing of the Enel Green Power Romania CGU (€130 million) and the Nuove Energie CGU (€92 million).

Operating income in 2016 amounted to €8,921 million, an increase of €1,236 million.

Net financial expense amounted to €2,987 million in 2016, an increase of €531 million, mainly reflecting:

- > an increase of €1,871 million in net charges from financial derivatives (to hedge interest rates and exchange rates);

- > an increase of €397 million in other net financial expense, mainly reflecting:
 - the adjustment to fair value of the financial receivable arising following the disposal of 50% of Slovak Power Holding (a negative €220 million) in view of the updating of the price adjustment formula in the agreements with EPH and changes in a number of scenario variables that adversely impacted that value;
 - positive regulatory items recognized in Argentina in 2015 under the provisions of Resolutions nos. 476/15 and 1208/15 for a total of €86 million;
- > an increase of €54 million in interest expense in respect of the accretion of provisions for risks (including provisions for early retirement incentives) and employee benefits, essentially due to the accretion of provisions for ENRE fines for service quality in Argentina in the amount of €61 million.

These factors were only partly offset by:

- > an increase of €1,684 million in net exchange gains as a result of exchange rate fluctuations;
- > a decrease of €110 million in net interest expense on borrowings, essentially reflecting the decrease in gross financial debt, associated with a decline in interest rates.

The **share of income/(losses) of equity investments accounted for using the equity method** in 2016 showed net losses of €154 million, compared with net income of €52

million in 2015. The change of €206 million is essentially attributable to the writedown of the 50% stake in Slovak Power Holding (€219 million) recognized following the changes in a number of reference parameters included in the agreements with EPH.

Income taxes in 2016 amounted to €1,993 million, equal to 34.5% of taxable income, while taxes in 2015 totaled €1,909 million, equal to 36.1% of taxable income. The increase in taxes compared with the previous year amounted to €84 million, reflecting the rise in pre-tax income and, essentially:

- > an increase in taxes following the adjustment of €60 million in deferred taxation as a result of the modification of income tax rates in Peru from a decreasing rate (27% for 2017-2018 and 26% thereafter) to a fixed rate of 29.5%;
- > the effect of the recognition in 2015 of the decrease of €197 million in net deferred tax assets as a result of the provisions of the Stability Act that reduced the rate of corporate income tax (IRES) from 27.5% to 24%;
- > differences in the weight of transactions subject to tax rates other than the theoretical rates (in 2016, the capital gains on Hydro Dolomiti Enel and GNL Quintero, as well as value adjustments of the assets of Slovak Power Holding; in 2015, the capital gain on the disposal of SE Hydropower and the remeasurement at fair value and the negative goodwill of 3Sun).

Analysis of the Group's financial position

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Net non-current assets:				
- property, plant and equipment and intangible assets	92,318	88,686	3,632	4.1%
- goodwill	13,556	13,824	(268)	-1.9%
- equity investments accounted for using the equity method	1,558	607	951	-
- other net non-current assets/(liabilities)	(802)	1,092	(1,894)	-
Total net non-current assets	106,630	104,209	2,421	2.3%
Net current assets:				
- trade receivables	13,506	12,797	709	5.5%
- inventories	2,564	2,904	(340)	-11.7%
- net receivables due from institutional market operators	(3,592)	(4,114)	522	-12.7%
- other net current assets/(liabilities)	(5,201)	(5,518)	317	-5.7%
- trade payables	(12,688)	(11,775)	(913)	-7.8%
Total net current assets	(5,411)	(5,706)	295	5.2%
Gross capital employed	101,219	98,503	2,716	2.8%
Sundry provisions:				
- employee benefits	(2,585)	(2,284)	(301)	-13.2%
- provisions for risks and charges and net deferred taxes	(8,517)	(8,413)	(104)	-1.2%
Total provisions	(11,102)	(10,697)	(405)	-3.8%
Net assets held for sale	11	1,490	(1,479)	-99.3%
Net capital employed	90,128	89,296	832	0.9%
Total shareholders' equity	52,575	51,751	824	1.6%
Net financial debt	37,553	37,545	8	-

Property, plant and equipment and intangible assets (including investment property) amounted to €92,318 million at December 31, 2016, an increase of €3,632 million. The rise mainly reflects investments in the period (€8,552 million) and the positive impact of translating financial statements denominated in foreign currencies (€2,735 million, with the largest gains coming in respect of the US dollar, the Colombian peso and the Russian ruble). These effects were only partly offset by depreciation, amortization and impairment losses totaling €5,359 million and the change in the scope of consolidation (a negative €2,268 million). The latter essentially regarded disposals carried out in December in the United States following the joint venture agreements with General Electric (Enel Green Power North America Renewable Energy Partners, Cimarron and Lindahl).

Goodwill amounted to €13,556 million, a decrease of €268 million on December 31, 2015. The change essentially re-

flected the reduction in goodwill (€237 million) recognized on the Romania CGU following the settlement of the arbitration proceeding involving the put option on 13.6% of the shares of Enel Distributie Muntenia and Enel Energie Muntenia and the concomitant cessation of the tag-along right on an additional 10% as well as the impairment loss of €26 million recognized on the goodwill of Nuove Energie.

Equity investments accounted for using the equity method amounted to €1,558 million, an increase of €951 million on December 31, 2015. The rise mainly reflected the changes in the scope of consolidation associated with the residual stakes, following disposals, in OpEn Fiber (remaining after the sale of 50% to Cassa Depositi e Prestiti at the end of December 2016), Enel Green Power North America Renewable Energy Partners ("EGPNA REP", the vehicle holding the plants operating in the United States for which a partnership agreement was reached with General Electric) and

Slovak Power Holding (which holds the 66% stake in Slovenské elektrárne, of which 50% was sold at the end of July 2016).

These effects were partly offset by dividend payments, net of the amount recognized in profit or loss for the share pertaining to the Group.

Other net non-current assets/(liabilities) showed net liabilities of €802 million December 31, 2016, a change of €1,894 million compared with December 31, 2015, when the item showed net assets of €1,092 million. The change is mainly attributable to:

- > the decrease of €1,749 million in net assets in respect of cash flow hedge derivatives (especially those hedging exchange risk);
- > the repayment (€229 million in principal and interest) of the receivable for 2004-2010 for the reimbursement of excess income tax paid as a result of not partially deducting IRAP in determining taxable income for IRES purposes;
- > an increase of €113 million in other non-current liabilities following the increase in regulatory liabilities in Argentina and Brazil, as well as the reclassification from the provision for early retirement incentives of amounts to be paid to employees who left their positions under the provision of Article 4 of Law 92/2012 (€87 million net of payments made);
- > an increase of €390 million in financial assets in respect of service concession arrangements, partly attributable to exchange rate changes and partly to investments recognized in the year.

Net current assets were a negative €5,411 million at December 31, 2016, a decrease of €295 million on December 31, 2015. The change reflects the following factors:

- > an increase in *trade receivables* of €709 million, mainly in Italy as a result of the change in payment terms applied to invoices for electricity transport services following the entry into force of Authority Resolution 268/2015 (the "Grid Code") as from January 1, 2016;
- > a decrease in *inventories* of €340 million, almost entirely attributable to environmental certificates;
- > an increase of €522 million in *net receivables due from institutional market operators*, mainly in Italy following the issue of Authority Resolution 268/2015, which changed the method used for determining the A and UC rate components. This factor was accompanied by a decline in net receivables for service continuity bonuses;

> a decrease of €317 million in *other current assets net of associated liabilities*. The change reflects:

- an increase in net income tax receivables (€243 million), despite income tax payments during the year in the amount of €1,935 million;
- an increase in net other current liabilities of €1,186 million, mainly regarding an increase in liabilities for dividends to be distributed in the amount of €1,070 million. The change is largely motivated by the reintroduction of an interim dividend payment by Enel SpA in the amount of €0.09 per share, to be paid as from January 25, 2017 in the total amount of €915 million and by an increase in liabilities for penalties to be paid to customers. These factors were partly offset by a decline in liabilities for the purchase of equity investments, reflecting the completion of the arbitration proceeding involving the put option on 13.6% of the shares of Enel Distributie Muntenia and Enel Energie Muntenia and the concomitant cessation of the tag-along right on an additional 10% interest (for a total of €377 million);
- an increase in net current financial assets of €1,142 million, essentially reflecting the increase in the positive fair value of derivatives, mainly cash flow hedges on exchange rates and commodity prices;
- an increase in other net tax payables other than income tax of €122 million, essentially in respect of taxes and surtaxes on the consumption of electricity and gas;
- > an increase in *trade payables* of €913 million, essentially due to exchange rate developments and the impact, in Italy, of the extension granted for the payment of a number of rate components concerning electricity distribution.

Sundry provisions amounted to €11,102 million, an increase of €405 million compared with the previous year. The change essentially reflects the following factors:

- > an increase of €300 million in provisions for employee benefits, mainly due to the reduction of the discount rate and developments in exchange rates;
- > a reduction of €431 million in provisions for risks and charges, mainly reflecting use of the provision for early retirement incentives (largely in Italy and Spain) in the amount of €310 million, as well as the reversal of the provision for litigation associated with the SAPE dispute (€80 million);
- > an increase of €511 million in net deferred tax liabilities, mainly due to exchange differences on the net deferred tax liabilities of companies with a currency other than the

euro and the adjustment of deferred taxation in Peru following the tax reform, which increased tax rates.

Net assets held for sale amounted to €11 million at December 31, 2016 (€1,490 million at December 31, 2015). They are accounted for by minor items, while at December 31, 2015 they mainly included the assets and liabilities of Slovenské elektrárne and Hydro Dolomiti Enel.

Net capital employed at December 31, 2016 amounted to €90,128 million and was funded by shareholders' equity attributable to shareholders of the Parent Company and non-controlling interests in the amount of €52,575 million and net financial debt of €37,553 million. At December 31, 2016, the debt/equity ratio was 0.71 (0.73 at December 31, 2015).

Analysis of the Group's financial structure

Net financial debt

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

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015		Change
Long-term debt:				
- bank borrowings	7,446	6,863	583	8.5%
- bonds	32,401	35,987	(3,586)	-10.0%
- other borrowings	1,489	2,022	(533)	-26.4%
<i>Long-term debt</i>	<i>41,336</i>	<i>44,872</i>	<i>(3,536)</i>	<i>-7.9%</i>
Long-term financial receivables and securities	(2,621)	(2,335)	(286)	12.2%
Net long-term debt	38,715	42,537	(3,822)	-9.0%
Short-term debt:				
Bank borrowings:				
- short-term portion of long-term bank borrowings	749	844	(95)	-11.3%
- other short-term bank borrowings	909	180	729	-
<i>Short-term bank borrowings</i>	<i>1,658</i>	<i>1,024</i>	<i>634</i>	<i>61.9%</i>
Bonds (short-term portion)	3,446	4,570	(1,124)	-24.6%
Other borrowings (short-term portion)	189	319	(130)	-40.8%
Commercial paper	3,059	213	2,846	-
Cash collateral on derivatives and other financing	1,286	1,698	(412)	-24.3%
Other short-term financial payables ⁽¹⁾	414	64	350	-
<i>Other short-term debt</i>	<i>8,394</i>	<i>6,864</i>	<i>1,530</i>	<i>22.3%</i>
Long-term financial receivables (short-term portion)	(767)	(769)	2	0.3%
Factoring receivables	(128)	(147)	19	12.9%
Financial receivables - cash collateral	(1,082)	(1,020)	(62)	-6.1%
Other short-term financial receivables	(911)	(304)	(607)	-
Cash and cash equivalents with banks and short-term securities	(8,326)	(10,640)	2,314	21.7%
<i>Cash and cash equivalents and short-term financial receivables</i>	<i>(11,214)</i>	<i>(12,880)</i>	<i>1,666</i>	<i>12.9%</i>
Net short-term debt	(1,162)	(4,992)	3,830	76.7%
NET FINANCIAL DEBT	37,553	37,545	8	-
Net financial debt of "Assets held for sale"	-	841	(841)	-

(1) Includes current financial payables included in other current financial liabilities.

Net financial debt amounted to €37,553 million at December 31, 2016, an increase of €8 million on December 31, 2015.

More specifically, net long-term debt fell by €3,822 million, the joint effect of an increase in long-term financial receivables of €286 million and a decline in gross debt of €3,536 million.

With regard to the latter aggregate:

> bank borrowings amounted to €7,446 million, an increase of €583 million due mainly to drawings on bank financing by the Latin American companies and by Enel Russia and EIB loans by a number of Italian companies, partly offset by the reclassification to short term of amounts falling due within 12 months;

> bonds amounted to €32,401 million, a decrease of €3,586 million on the end of 2015, mainly reflecting:

- the repurchase by Enel SpA of its own bonds in the total amount of €750 million as part of its broader liability management activities;
- the reclassification to short term of the current portion of bonds maturing within the next 12 months, of which €909 million in respect of a fixed-rate bond issued by Enel SpA maturing in June 2017, €637 million in respect of a fixed-rate bond issued by Enel Finance International falling due in July 2017, a fixed-rate bond denominated in US dollars issued by Enel Finance International

with a value of €1,423 million falling due in September 2017 and €378 million in respect of issues in local currencies by the Latin American companies;

- the non-binding exchange offer made in May 2016 by Enel Finance International involving the repurchase of bonds totaling €1,074 million and the concomitant issue of a senior fixed-rate note with a nominal value of €1,257 million maturing in June 2016;
- new issues in 2016 by the Latin American companies, including a fixed-rate bond denominated in US dollars issued by Enel Américas with a value at December 31, 2016 of €569 million, maturing in October 2026;
- exchange rate gains during the year in the amount of about €307 million on bonds (including the current portion).

Net short-term debt showed a creditor position of €1,162 million at December 31, 2016, a decrease of €3,830 million on the end of 2015, the result of the increase in other short-term borrowings of €1,530 million and in short-term bank borrowings of €634 million, and a decrease in cash and cash equivalents and short-term financial receivables in the amount of €1,666 million.

Other short-term debt, totaling €8,394 million, includes commercial paper issued by Enel Finance International and International Endesa BV amounting to €3,059 million, as well as bonds maturing within 12 months amounting to €3,446 million. Finally, cash collateral paid to counterparties in over-the-counter derivatives transactions on interest rates, exchange rates and commodities totaled €1,082 million, while cash

collateral received from such counterparties amounted to €1,286 million.

Cash and cash equivalents and short-term financial receivables came to €11,214 million, down €1,666 million compared with the end of 2015, mainly reflecting the decrease in cash with banks and short-term securities in the amount of €2,314 million, partly offset by an increase in other short-term financial receivables for €607 million, as well as the increase in cash collateral paid to counterparties in over-the-counter derivatives transactions on interest rates, exchange rates and commodities of €62 million.

The main transactions carried out in 2016 included:

- > the agreement, on July 15, 2016, of a 4-year credit facility of €500 million between Enel SpA and UniCredit SpA; at December 31, 2016, that facility was drawn in the amount of €50 million;
- > the issue, on October 25, 2016, of a 10-year fixed-rate bond denominated in US dollars by Enel Américas, with a value of €588 million at December 31, 2016;
- > the following bond repayments:
 - €1,000 million in respect of a floating-rate bond, issued by Enel SpA in 2010, maturing in February 2016;
 - €2,000 million in respect of a fixed-rate bond, issued by Enel SpA in 2010, maturing in February 2016;
 - €1,080 million in respect of a fixed-rate bond, issued by Enel Finance International in 2009, maturing in September 2016.

Cash flows

Millions of euro

	2016	2015	Change
Cash and cash equivalents at the beginning of the period ⁽¹⁾	10,790	13,255	(2,465)
Cash flows from operating activities	9,847	9,572	275
Cash flows from investing/disinvesting activities	(8,087)	(6,421)	(1,666)
Cash flows from financing activities	(4,474)	(5,382)	908
Effect of exchange rate changes on cash and cash equivalents	250	(234)	484
Cash and cash equivalents at the end of the period ⁽²⁾	8,326	10,790	(2,464)

(1) Of which cash and cash equivalents equal to €10,639 million at January 1, 2016 (€13,088 million at January 1, 2015), short-term securities equal to €1 million at January 1, 2016 (€140 million at January 1, 2015) and cash and cash equivalents pertaining to assets held for sale equal to €150 million at January 1, 2016 (€27 million at January 1, 2015).

(2) Of which cash and cash equivalents equal to €8,290 million at December 31, 2016 (€10,639 million at December 31, 2015), short-term securities equal to €36 million at December 31, 2016 (€1 million at December 31, 2015) and cash and cash equivalents pertaining to assets held for sale equal to €150 million at December 31, 2015.

Cash flows from operating activities in 2016 were a positive €9,847 million, up €275 million compared with 2015, mainly reflecting the optimization of net current assets, which more than offset the increase in the use of funds and in taxes paid.

Cash flows from investing/disinvesting activities in 2016 absorbed funds in the amount of €8,087 million, while in 2015 they had absorbed liquidity totaling €6,421 million. More specifically, cash requirements in respect of investments in property, plant and equipment and in intangible assets amounted to €8,842 million in 2016, up €1,080 million on the previous year, mainly due to increased investment abroad and in renewable technologies.

Investments in entities or business units, net of cash and cash equivalents acquired, amounted to €382 million in 2016 and primarily regarded capital increases at OpEn Fiber (formerly Enel OpEn Fiber), increasing the interest in the company to 50%, as well as a number of minor transactions (Eléctrica del Ebro and Energía Limpia de Amistad).

In 2016, the disposal of entities and business units, net of cash and cash equivalents sold, generated cash flows of €1,032 million and regarded:

- > the disposal of Hydro Dolomiti Enel, which operates in the hydroelectric generation sector in Italy, for €313 million;
- > the disposal, in December 2016, of the Cimarron and Lindahl wind farms to Enel Green Power North America Renewable Energy Partners (for €216 million), a vehicle to which plants operating in the United States for which a partnership agreement was reached with General Electric were transferred (and will continue to be transferred);
- > the disposal of GNL Quintero, an associate in which the Group held 20%, for €177 million;
- > the sale of 50% of Slovak Power Holding, which in turn holds 66% of Slovenské elektrárne, for €139 million;
- > the disposal, in May 2016, of 65% of Drift Sand Wind Project, a company operating in the wind generation sector in the United States, for €98 million;
- > the sale of Marcinelle Energie, a company operating in

the thermal generation sector in Belgium, for a total of €36 million;

- > price adjustments for disposals carried out in previous years totaling €60 million.

Cash flows from financing activities absorbed liquidity in the amount of €4,474 million, while in 2015 they showed cash used of €5,382 million. The flow in 2016 is essentially associated with the reduction of net financial debt (the net balance of repayments and new borrowing) in the amount of €1,710 million and the payment of dividends totaling €2,507 million, of which €1,627 million paid to Enel SpA shareholders. These factors were accompanied by an increase in outlays for transactions involving non-controlling interests in the amount of €257 million. More specifically, the latter essentially include:

- > outlays associated with the merger of Endesa Américas and Chilectra Américas into Enel Américas amounting to €329 million, of which €141 million in respect of the public tender offer launched by Enersis Américas for the float of Endesa Américas and €188 million in respect of taxes due following the transaction, mainly paid to tax authorities in Peru;
- > the receipt of €132 million for the sale to third parties of minority interests without losing control of a number of companies in the renewables sector in the United States (Chisholm View Wind Project and Aurora Distributed Solar).

Accordingly, in 2016, cash flows from operating activities in the amount of €9,847 million only partly covered the cash needs for financing activities in the amount of €4,474 million and for investing activities totaling €8,087 million. The difference is reflected in the decrease in cash and cash equivalents, which at December 31, 2016 amounted to €8,326 million, compared with €10,790 million at the end of 2015. This decrease also reflects the effect of negative developments in the exchange rates of the various local currencies against the euro, equal to €250 million.

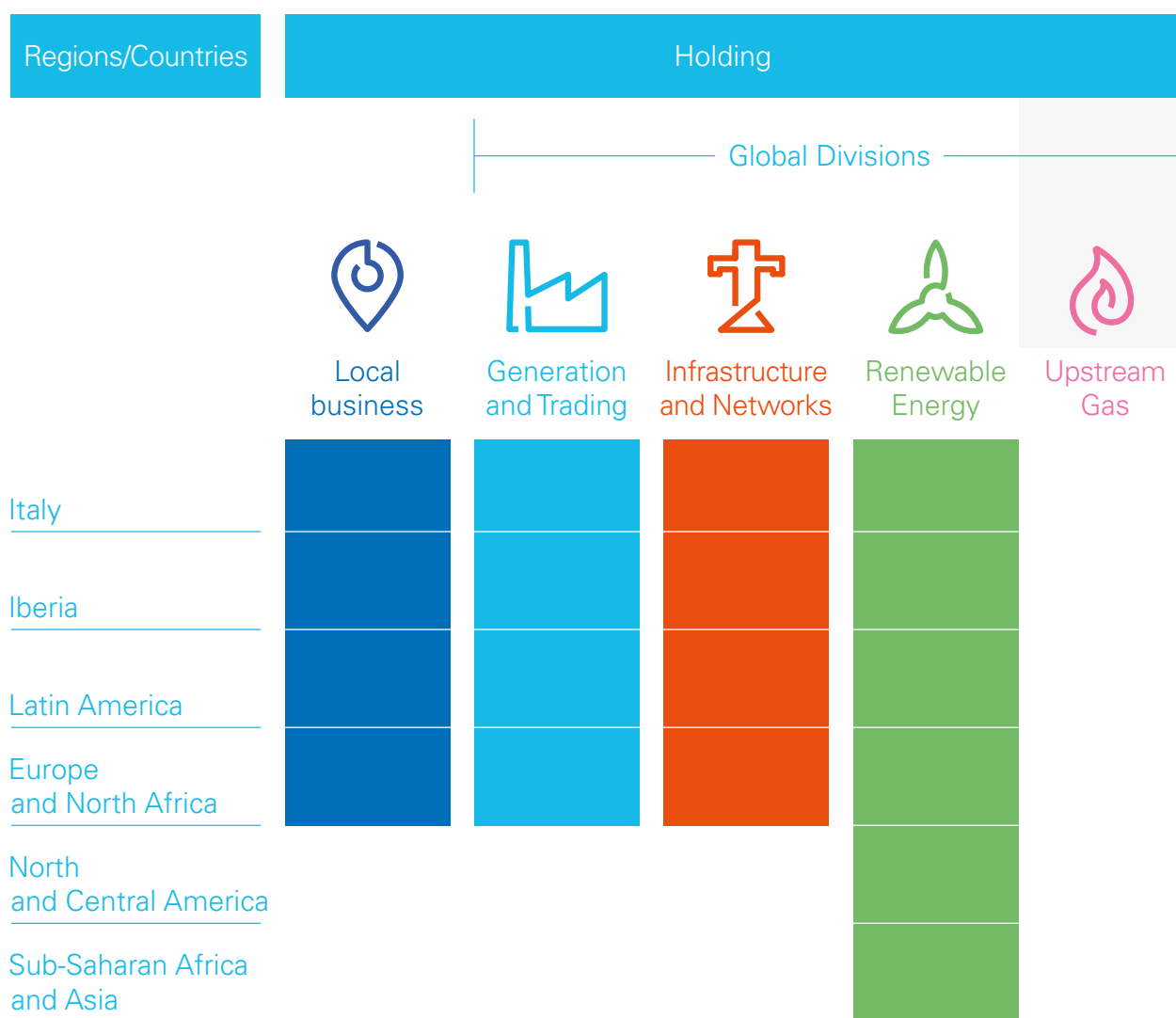
Results by business area

The representation of performance by business area presented here is based on the approach used by management in monitoring Group performance for the two periods under review, taking account of the operational model adopted by the Group as described above.

Taking account of the provisions of IFRS 8 regarding the management approach, the new organization modified the structure of reporting, as well as the representation and analysis of Group performance and financial position, as from September 30, 2016. More specifically, performance by business area reported in this Annual Report was deter-

mined by designating the Regions and Countries perspective as the primary reporting segment. In addition, account was also taken of the possibilities for the simplification of disclosures associated with the materiality thresholds also established under IFRS 8 and, therefore, the item "Other, eliminations and adjustments" includes not only the effects from the elimination of intersegment transactions, but also the figures for the Parent Company, Enel SpA, and the Upstream Gas Division.

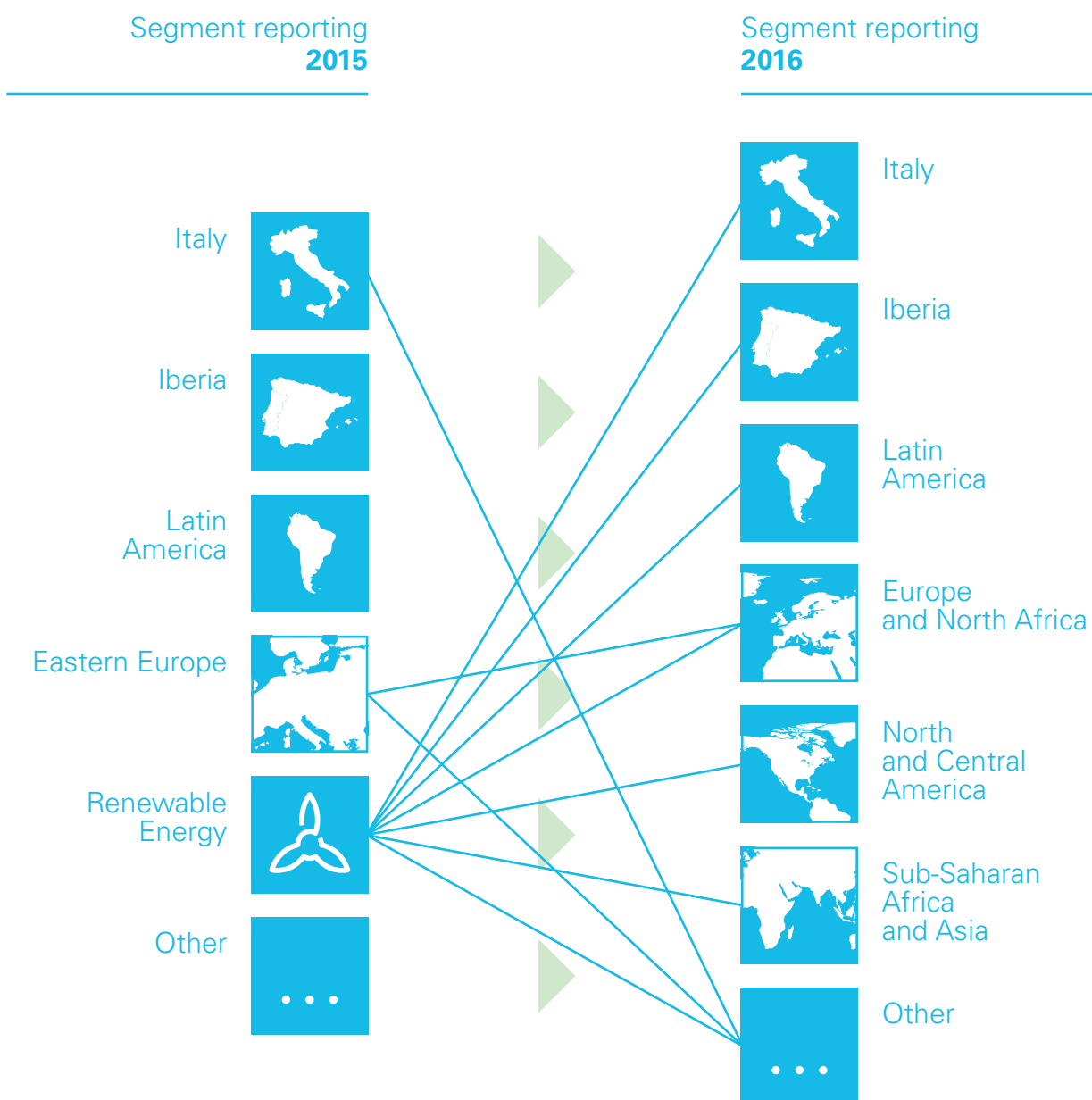
The following chart outlines these organizational arrangements.



The main changes in the organizational model, which remains based on an matrix structure of Divisions, include the integration of the various companies belonging to the Enel Green Power Group in the various Divisions by geographical area, functionally including the large hydro activities that are still formally operated by the thermal generation companies, and a new definition of the geographical areas (Italy, Iberia, Europe and North Africa, Latin America, North and Central America, Sub-Saharan Africa and Asia, Central/Parent Company). The new business structure is also broken down as

follows: Thermal Generation and Trading, Infrastructure and Networks, Renewables, Retail, Services and Parent Company.

For the Annual Report 2016, the new organization involved a revision of the disclosures provided pursuant to "IFRS 8 - Operating Segments", discussed in note 6 below, which have been accompanied by appropriately restated comparative figures for 2015 to ensure full comparability.



Results by business area for 2016 and 2015

Results for 2016 ⁽¹⁾

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	36,081	18,831	10,739	3,618	1,122	29	172	70,592
Revenue from transactions with other segments	876	122	29	180	3	-	(1,210)	-
Total revenue	36,957	18,953	10,768	3,798	1,125	29	(1,038)	70,592
Net income/(expense) from commodity contracts measured at fair value	(266)	131	9	(6)	(1)	-	-	(133)
Gross operating margin	6,679	3,562	3,556	762	833	14	(130)	15,276
Depreciation, amortization and impairment losses	2,292	1,796	1,393	476	268	19	111	6,355
Operating income	4,387	1,766	2,163	286	565	(5)	(241)	8,921
Capital expenditure	1,883	1,147	3,069	265 ⁽²⁾	1,832	304	52 ⁽³⁾	8,552

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

(2) Does not include €283 million regarding units classified as "held for sale".

(3) Does not include €7 million regarding units classified as "held for sale".

Results for 2015 restated ⁽¹⁾

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	39,252	20,021	10,818	4,645	879	18	25	75,658
Revenue from transactions with other segments	1,475	463	10	345	3	-	(2,296)	-
Total revenue	40,727	20,484	10,828	4,990	882	18	(2,271)	75,658
Net income/(expense) from commodity contracts measured at fair value	185	1	(4)	(17)	(2)	-	5	168
Gross operating margin	6,916	3,353	3,306	1,451	575	7	(311)	15,297
Depreciation, amortization and impairment losses	2,328	1,880	986	2,020	237	3	158	7,612
Operating income	4,588	1,473	2,320	(569)	338	4	(469)	7,685
Capital expenditure	1,843 ⁽²⁾	1,001	2,937	249 ⁽³⁾	720	311	52	7,113

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

(2) Does not include €1 million regarding units classified as "held for sale".

(3) Does not include €648 million regarding units classified as "held for sale".

In addition to the foregoing, the Group monitors performance at the global Division level, classifying results by business line. The following table presents the gross operating margin

for the two periods under review, offering visibility of performance not only from a Region/Country perspective but also by Division/business line.

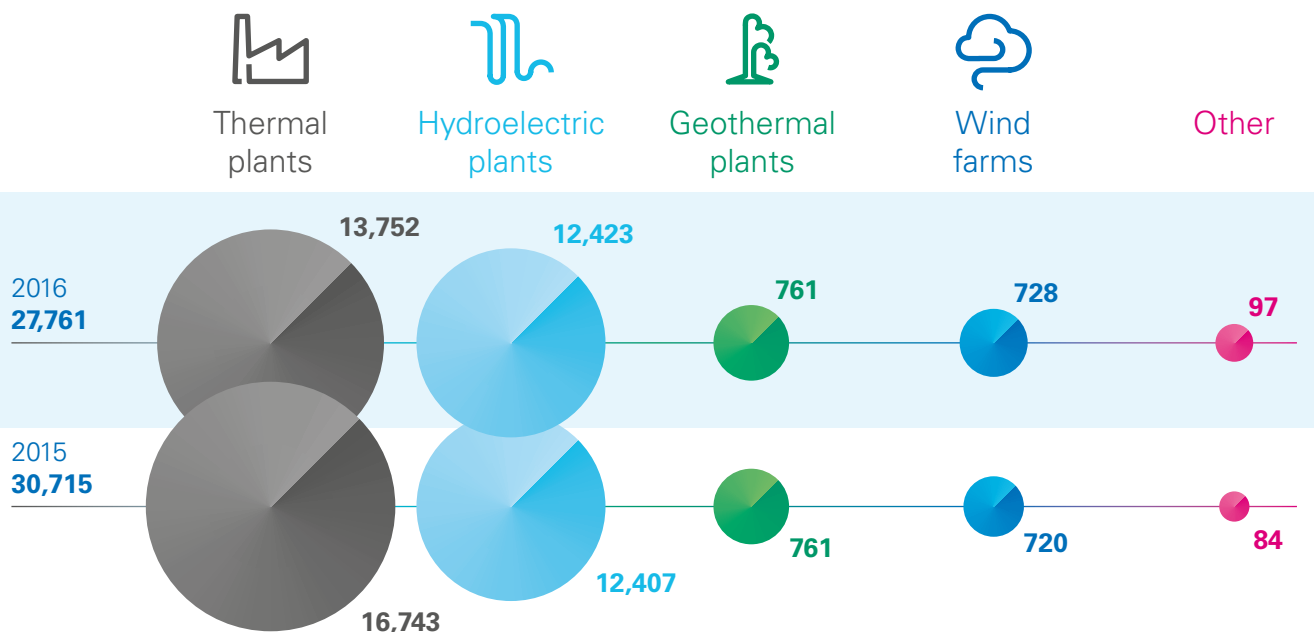
Millions of euro	Local businesses								
	End-user markets			Services			Generation and Trading		
	2016	2015 restated	Change	2016	2015 restated	Change	2016	2015 restated	Change
Italy	1,932	1,336	596	105	32	73	(18)	184	(202)
Iberia	677	557	120	(93)	(46)	(47)	812	780	32
Latin America	-	-	-	(118)	(75)	(43)	748	341	407
Argentina	-	-	-	-	-	-	98	76	22
Brazil	-	-	-	(36)	(29)	(7)	73	56	17
Chile	-	-	-	(82)	(46)	(36)	400	53	347
Colombia	-	-	-	-	-	-	51	17	34
Peru	-	-	-	-	-	-	126	139	(13)
Other countries	-	-	-	-	-	-	-	-	-
Europe and North Africa	25	12	13	1	3	(2)	373	1,040	(667)
Romania	30	19	11	1	3	(2)	(1)	(1)	-
Russia	-	-	-	-	-	-	186	164	22
Slovakia	-	-	-	-	-	-	191	871	(680)
Other countries	(5)	(7)	2	-	-	-	(3)	6	(9)
North and Central America	-	-	-	-	-	-	-	-	-
United States and Canada	-	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	-	-	-	-	-
Panama	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-
Sub-Saharan Africa and Asia	-	-	-	-	-	-	-	-	-
South Africa	-	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-	-
Other	-	-	-	(1)	1	(2)	(54)	(42)	(12)
Total	2,634	1,905	742	(106)	(85)	(66)	1,861	2,303	(702)

Global Divisions

Infrastructure and Networks			Renewables			Other			Total		
2016	2015 restated	Change	2016	2015 restated	Change	2016	2015 restated	Change	2016	2015 restated	Change
3,620	3,933	(313)	1,040	1,431	(391)	-	-	-	6,679	6,916	(237)
1,815	1,643	172	351	419	(68)	-	-	-	3,562	3,353	209
1,429	1,400	29	1,497	1,640	(143)	-	-	-	3,556	3,306	250
155	165	(10)	23	38	(15)	-	-	-	276	279	(3)
433	372	61	199	137	62	-	-	-	669	536	133
252	266	(14)	634	762	(128)	-	-	-	1,204	1,035	169
398	406	(8)	531	547	(16)	-	-	-	980	970	10
191	191	-	102	154	(52)	-	-	-	419	484	(65)
-	-	-	8	2	6	-	-	-	8	2	6
225	260	(35)	138	136	2	-	-	-	762	1,451	(689)
225	260	(35)	84	83	1	-	-	-	339	364	(25)
-	-	-	-	-	-	-	-	-	186	164	22
-	-	-	-	-	-	-	-	-	191	871	(680)
-	-	-	54	53	1	-	-	-	46	52	(6)
-	-	-	833	575	258	-	-	-	833	575	258
-	-	-	587	351	236	-	-	-	587	351	236
-	-	-	95	54	41	-	-	-	95	54	41
-	-	-	93	116	(23)	-	-	-	93	116	(23)
-	-	-	58	54	4	-	-	-	58	54	4
-	-	-	14	7	7	-	-	-	14	7	7
-	-	-	4	6	(2)	-	-	-	4	6	(2)
-	-	-	10	1	9	-	-	-	10	1	9
(13)	6	(19)	(59)	(97)	38	(3)	(179)	176	(130)	(311)	181
7,076	7,242	(172)	3,814	4,111	(173)	(3)	(179)	176	15,276	15,297	(21)



Net efficient generation capacity (MW)



Average number of customers

2016 **26,776,635** 2015 **27,072,083**



Electricity sales

Free market	2016	6,732,570	2015	6,105,541
	Mass-market customers	6,608,388	Mass-market customers	6,012,183
	Business customers (*)	78,487	Business customers (*)	52,625
	Safeguard-market customers	45,695	Safeguard-market customers	40,733
Regulated market	Enhanced-protection-market customers	20,044,065	Enhanced-protection-market customers	20,966,542



Natural gas sales

Mass-market (**) and business customers **3,876,191** Mass-market (**) and business customers **3,711,422**

(*) Supplies to large customers and energy-intensive users (annual consumption of greater than 1 GWh).
 (**) Includes residential and microbusiness.

Electricity distribution and transport networks in 2016 (km) **1,144,987**



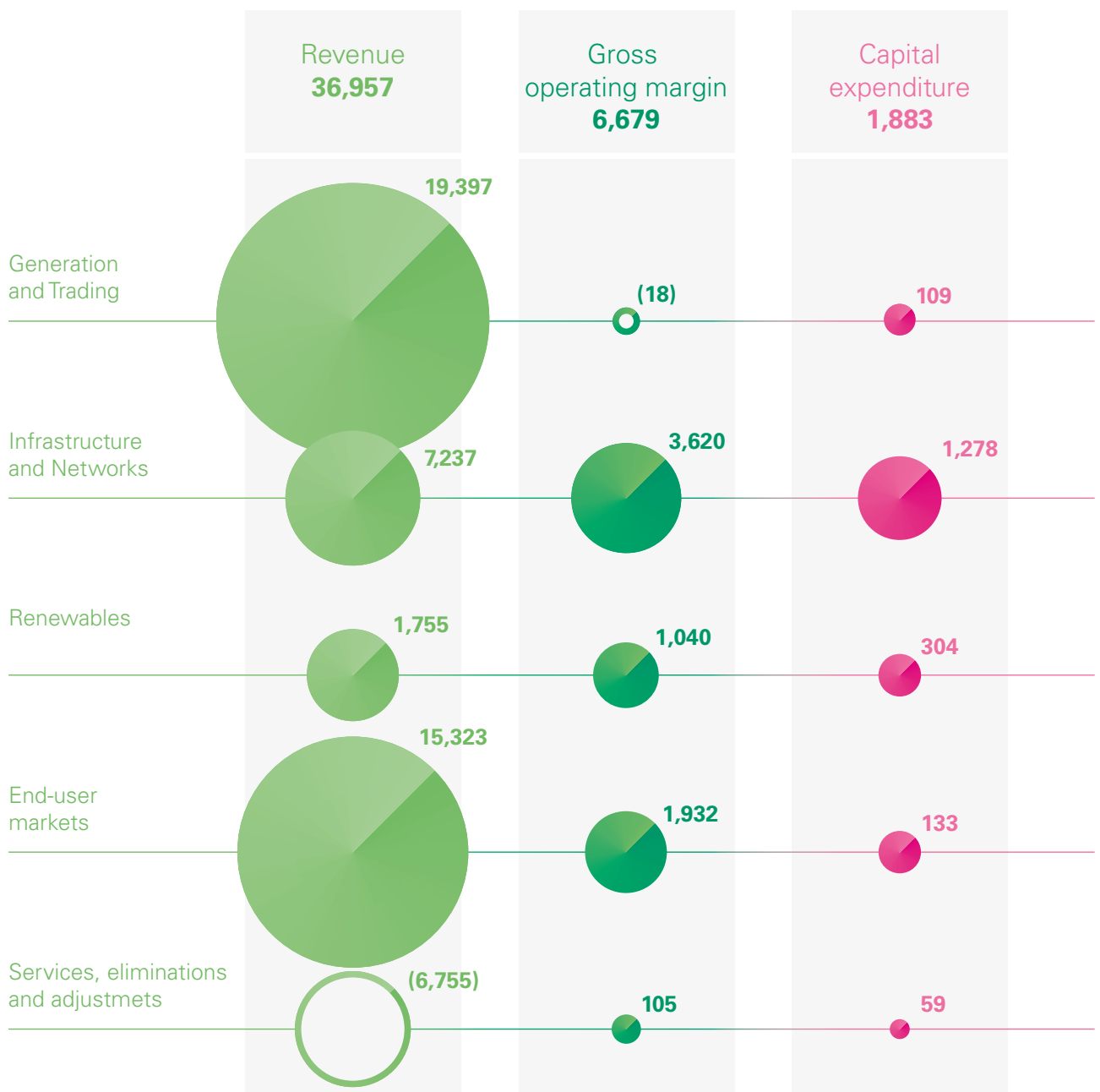
High voltage
(HV)

Medium voltage
(MV)

Low voltage
(LV)



Performance in 2016 (millions of euro)



Operations

Net electricity generation

Millions of kWh

	2016	2015 restated	Change	
Thermal	37,609	43,495	(5,886)	-13.5%
Hydroelectric	16,052	17,913	(1,861)	-10.4%
Geothermal	5,832	5,809	23	0.4%
Wind	1,298	1,118	180	16.1%
Other sources	122	184	(62)	-33.7%
Total	60,913	68,519	(7,606)	-11.1%

In 2016, net electricity generation totaled 60,913 million kWh, a decline of 11.1%, or 7,606 million kWh, from 2015. The decrease in demand had a negative impact on generation volumes, particularly in hydroelectric generation (down 1,861 million kWh) due essentially to the deterioration in

water availability compared with the previous year, and in thermal power generation (down 5,886 million kWh), which was partly attributable to a number of maintenance activities, with maintenance on Brindisi Sud being particularly significant.

Contribution to gross thermal generation

Millions of kWh

	2016		2015 restated		Change	
Fuel oil	88	0.2%	274	0.6%	(186)	-67.9%
Natural gas	9,601	23.6%	8,126	17.3%	1,475	18.2%
Coal	30,286	74.7%	38,177	81.3%	(7,891)	-20.7%
Other fuels	592	1.5%	391	0.8%	201	51.4%
Total	40,567	100.0%	46,968	100.0%	(6,401)	-13.6%

Gross thermal generation for 2016 totaled 40,567 million kWh, a reduction of 6,401 million kWh (-13.6%) compared with 2015. In terms of the mix of fuels used, the decrease is due mainly to the reduced use of coal-fired plants, which proved to be particularly competitive in 2015, but were pena-

lized in 2016 by the maintenance noted earlier. Conversely, there was a greater use of combined-cycle plants on the continent, which benefitted from the critical issues on the French market in the latter part of the year.

Net efficient generation capacity

MW

	at Dec. 31, 2016	at Dec. 31, 2015 restated	Change	
Thermal plants ⁽¹⁾	13,752	16,743	(2,991)	-17.9%
Hydroelectric plants	12,423	12,407	16	0.1%
Geothermal plants	761	761	-	-
Wind farms	728	720	8	1.1%
Other	97	84	13	15.5%
Total	27,761	30,715	(2,954)	-9.6%

(1) 1,225 MW of which unavailable due to long-term technical issues (2,564 MW at December 31, 2015).

Net efficient capacity in 2016 totaled 27,761 MW, a reduction of 2,954 MW on the previous year following the progressive closure of a portion of the thermal plants for which deactivation requests had been submitted to the Ministries for the Environment and Economic Development in accordance with Law 290 of October 27, 2003. Of particular note was the decrease in capacity in the oil/gas segment due to a reduction in MW related to the plants in Montalto di Castro (1,272 MW),

Rossano Calabro (570 MW), Augusta (195 MW), and Portoscu-so (264 MW) and for the combined-cycle/gas-turbine segment related to the plants in La Spezia (664 MW) and Assemini (26 MW). It should also be noted that a portion of these plants fall within the scope of the Future project, the program launched to give new life to 23 deactivated thermal power plants, for a total of 13 GW of installed capacity.

Electricity distribution and transport networks

	2016	2015 restated	Change	
High-voltage lines at year end (km)	13	13	-	-
Medium-voltage lines at year end (km)	352,607	351,493	1,114	0.3%
Low-voltage lines at year end (km)	792,367	788,709	3,658	0.5%
Total electricity distribution network (km)	1,144,987	1,140,215	4,772	0.4%
Electricity transported on Enel's distribution network (millions of kWh) ⁽¹⁾	223,469	227,125	(3,657)	-1.6%

(1) The figure for 2015 reflects a more accurate measurement of amounts transported.

Electricity transported on the Enel network in Italy for 2016 decreased by 3,657 million kWh (-1.6%), going from 227,125 million kWh in 2015 to 223,469 million kWh in 2016. The

change is essentially in line with the decrease in electricity demand in Italy.

Electricity sales

Millions of kWh

	2016	2015 restated	Change	
Free market:				
- mass-market customers	26,542	25,933	609	2.3%
- business customers ⁽¹⁾	19,739	10,904	8,835	81.0%
- safeguard-market customers	2,021	1,819	202	11.1%
Total free market	48,302	38,656	9,646	25.0%
Regulated market:				
- enhanced-protection-market customers	45,837	49,369	(3,532)	-7.2%
TOTAL	94,139	88,025	6,114	6.9%

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

Electricity sold in 2016 came to 94,139 million kWh for an overall increase of 6,114 million kWh compared with the prior year. These developments are consistent with those in

recent years, with the gradual shift of customers from regulated markets to the free market.

Average number of customers

	2016	2015 restated	Change	
Free market:				
- mass-market customers	6,608,388	6,012,183	596,205	9.9%
- business customers ⁽¹⁾	78,487	52,625	25,862	49.1%
- safeguard-market customers	45,695	40,733	4,962	12.2%
Total free market	6,732,570	6,105,541	627,029	10.3%
Regulated market:				
- enhanced-protection-market customers	20,044,065	20,966,542	(922,477)	-4.4%
TOTAL	26,776,635	27,072,083	(295,448)	-1.1%

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

Natural gas sales

Millions of m³

	2016	2015 restated	Change	
Mass-market customers ⁽¹⁾	2,815	3,394	(579)	-17.1%
Business customers	1,776	677	1,099	-
Total	4,591	4,071	520	12.8%
Average number of customers	3,876,191	3,711,422	164,769	4.4%

(1) Includes residential and microbusinesses.

Gas sales in 2016 totaled 4,591 million cubic meters, an increase of 520 million cubic meters compared with the

previous year, essentially attributable to sales to business customers.

Performance

Millions of euro

	2016	2015 restated		Change
Revenue	36,957	40,727	(3,770)	-9.3%
Gross operating margin	6,679	6,916	(237)	-3.4%
Operating income	4,387	4,588	(201)	-4.4%
Capital expenditure	1,883	1,843 ⁽¹⁾	40	2.2%

(1) Does not include €1 million regarding units classified as "held for sale".

The following tables break down performance by type of business in 2016.

Revenue

Millions of euro

	2016	2015 restated		Change
Generation and Trading	19,397	22,186	(2,789)	-12.6%
Infrastructure and Networks	7,237	7,905	(668)	-8.5%
Renewables	1,755	2,308	(553)	-24.0%
End-user markets	15,323	15,138	185	1.2%
Services	1,207	1,191	16	1.3%
Eliminations and adjustments	(7,962)	(8,001)	39	-0.5%
Total	36,957	40,727	(3,770)	-9.3%

Revenue in 2016 amounted to €36,957 million, a decrease of €3,770 million compared with the same period of 2015 (-9.3%), the result of the following main factors:

- > a €2,789 million decline (-12.6%) in revenue from **Generation and Trading** compared with 2015. This reduction is mainly attributable to:
 - a €1,074 million decline in revenue from the sale of electricity essentially related to the lower quantities generated. More specifically, the change is mainly attributable to the decrease in revenue from the sale of energy by way of bilateral agreements to other national resellers (€887 million) and the reduction in revenue from sales on the Power Exchange (€372 million), which were only partially offset by increased business on the ancillary services markets (€127 million);
 - a €1,064 million decline in revenue from trading on international energy markets due, essentially, to a reduction in quantities handled (-30.2 TWh) of proprietary trading conducted on the European electricity exchanges (particularly in France and Germany) against a background of falling prices;
 - a decrease of €289 million in revenue from the sale of CO₂ emissions allowances and green certificates, owing to lower volumes handled and the replacement of the

mechanism of incentives for green certificates established by the Ministerial Decree of July 6, 2012;

- a reduction of €252 million in transfers from market operators due mainly to the decrease in transfers related to the security of Italy's electrical system;
- a €113 million drop in revenue from the sale of fuels on the domestic and international wholesale markets, which is essentially attributable to the decrease in intermediation business (-0.7 Mtoe);
- a €32 million reduction in gains on extraordinary transactions, which in 2016 included the gain on the sale of the equity investment in Hydro Dolomiti Enel (€124 million), whereas this aggregate in 2015 included the gains on the sales of SF Energy and SE Hydropower (€156 million);
- > a decrease of €668 million (-8.5%) in revenue from **Infrastructure and Networks** operations, largely reflecting:
 - a decrease of €418 million in revenue related to the regulatory changes introduced with Resolution 654/2015 of the Authority for Electricity, Gas and the Water System (the "Authority"), which in 2015 eliminated the "regulatory lag";
 - a €331 million reduction in rate revenue mainly due to the decrease in transmission rates;
 - a €62 million decrease in revenue following regula-

tory changes introduced with Authority Resolution 268/2015, which abolished the contribution for irrevocability risk for distribution companies for the collection of system charges and called for a strengthening of the system of guarantees required for the transport agreement;

- the increase in contributions from the Energy & Environmental Services Fund (formerly the Electricity Equalization Fund) for white certificates (in the amount of €132 million) due to the increase in volumes purchased and in the unit contribution;
- > a €553 million reduction (-24.0%) in revenue from **Renewables** generation, which was mainly related to the decrease in revenue from the sale of energy due to the decline in hydroelectric power generation, as well as to the recognition, in 2015, of negative goodwill and the fair-

value remeasurement connected with the 3Sun acquisition (for a total of €120 million) and an indemnity required under the agreements with STM (€12 million);

- > an increase of €185 million (+1.2%) in revenue from **End-user markets** for electricity, essentially reflecting:
 - a decline of €715 million in revenue on the regulated electricity market due to a decrease in quantities sold (-3.5 TWh) and in the number of customers served;
 - an increase of €813 million in revenue on the free market for electricity related to the increase in quantities sold (+10.2 TWh), which was only partially offset by price effects;
 - an increase of €90 million in revenue from sales to end users on the natural gas market, primarily reflecting the positive change in corrective payments for past years and an increase in quantities sold.

Gross operating margin

Millions of euro

	2016	2015 restated	Change	
Generation and Trading	(18)	184	(202)	-
Infrastructure and Networks	3,620	3,933	(313)	-8.0%
Renewables	1,040	1,431	(391)	-27.3%
End-user markets	1,932	1,336	596	44.6%
Services	105	32	73	-
Total	6,679	6,916	(237)	-3.4%

Gross operating margin amounted to €6,679 million in 2016, a decrease of €237 million (-3.4%) compared with 2015. This change was essentially due to the following factors:

- > a €202 million increase in the margin from **Generation and Trading**. Net of the difference in gains on divestments in the two periods as described above, there would have been a decline of €175 million due essentially to:
 - a reduction in the margin on generation, reflecting a less favorable generation mix as a result of poor water conditions in an environment of falling wholesale prices;
 - the provisions related to reclamation work at the sites related to the closed generation plants included in the Future project (€180 million);
 - payment of a termination fee related to a number of CO₂ provisioning transactions (€163 million) and provisions for logistics costs related to a number of gas supply agreements (€31 million);
 - an increase in the trading margin, which reflects the benefits of signing the price-review agreements related to a number of gas supply agreements (€311 million);

- the net effect of €112 million, recognized in 2015, from the signing of a new agreement with the trade unions for redundancy incentives pursuant to Article 4 of Law 92/2012 and recognition of a one-off indemnity paid to former employees who had benefitted from the energy discount following its revocation, which also entailed releasing the related provision;

- > a reduction of €313 million in the margin from **Infrastructure and Networks** operations (-8.0%), largely due to:
 - a decrease of €757 million in the margin on electricity transport, primarily reflecting the aforementioned negative effect on revenue of the regulatory changes of Authority Resolution 655/2014 and for the reduction in rates;
 - a reduction in provisions for risks and charges for the two periods under review due to the effects of the anti-trust resolution that led to the closure of the proceedings initiated by the Italian competition authority and the recognition, in 2015, of a one-off sum paid to former employees who benefitted from the energy discount following its revocation (pursuant to Article 4 of Italian Law 92/2012);
- > a reduction of €391 million in the margin on power gene-

ration using **Renewables**, which was mainly due to the effects mentioned above in the section on revenue;

- > an increase of €596 million in the margin from **End-user markets** (+44.6%), mainly attributable to:
 - an increase of €434 million in the margin on the free markets for electricity and gas (€277 million of which attribu-

table to the margin on electricity) due to the increase in quantities sold for both commodities (electricity and gas);

- an increase of €155 million in the margin on the regulated electricity market due essentially to the reduction in costs for the purchase of electricity as a result of the smaller number of customers served and the decrease in prices.

Operating income

Millions of euro

	2016	2015 restated	Change	
Generation and Trading	(354)	(93)	(261)	-
Infrastructure and Networks	2,597	2,914	(317)	-10.9%
Renewables	761	1,095	(334)	-30.5%
End-user markets	1,333	690	643	93.2%
Services	50	(18)	68	-
Total	4,387	4,588	(201)	-4.4%

Operating income came to €4,387 million, a decrease of €201 million (including a decline of €36 million in depreciation, amortization, and impairment losses) compared with the €4,588 million in operating income recognized in 2015. More specifically, the reduction in net writedowns of trade

receivables, which was particularly evident in the sale of electricity on the regulated market, was partially offset by the impairment recognized in 2016 on the goodwill and assets of Nuove Energie due to the change in a number of measurement parameters in the midstream gas business.

Capital expenditure

Millions of euro

	2016	2015 restated	Change	
Generation and Trading	109	178 ⁽¹⁾	(69)	-38.8%
Infrastructure and Networks	1,278	1,134	144	12.7%
Renewables	304	341	(37)	-10.9%
End-user markets	133	124	9	7.3%
Services	59	66	(7)	-10.6%
Total	1,883	1,843	40	2.2%

(1) Does not include €1 million regarding units classified as "held for sale".

Capital expenditure in 2016 amounted to €1,883 million, up €40 million compared with the previous year. More specifically, the change is attributable to:

- > an increase of €144 million in capital expenditure for **Infrastructure and Networks**, primarily in work to improve and maintain service-quality standards;
- > a €9 million increase in capital expenditure for **End-user markets**;

> a €69 million decrease in capital expenditure for **Generation and Trading**;

> a reduction of €37 million in capital expenditure for the **Renewables** business, attributable mainly to geothermal and biomass plants.



Net efficient generation capacity (MW)



Thermal plants



Nuclear plants

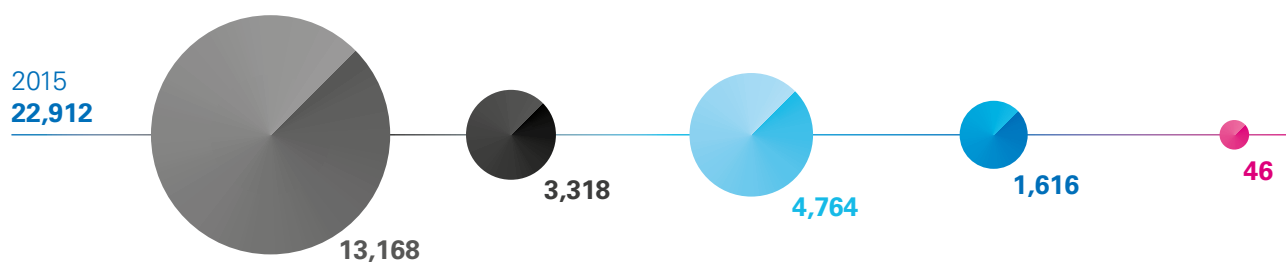
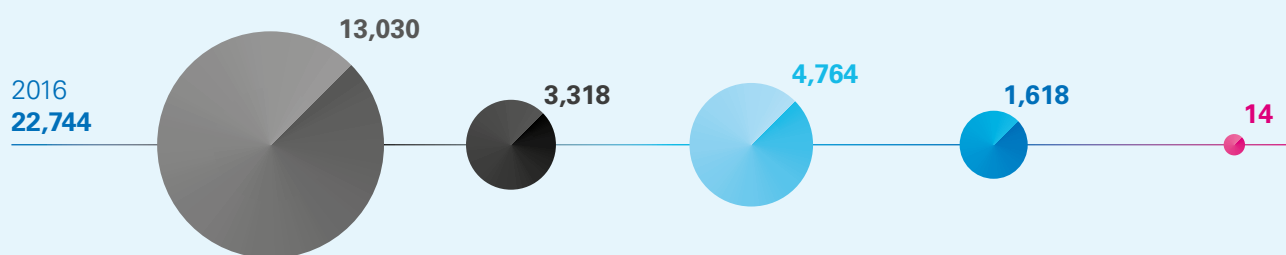


Hydroelectric plants



Wind farms

Other



Electricity distribution and transport networks in 2016 (km) **316,562**



High voltage
(HV)

Medium voltage
(MV)

Low voltage
(LV)



Performance in 2016 (millions of euro)



Operations

Net electricity generation

Millions of kWh

	2016	2015 restated	Change	
Thermal	35,525	40,129	(4,604)	-11.5%
Nuclear	25,921	25,756	165	0.6%
Hydroelectric	7,288	7,250	38	0.5%
Wind	3,422	4,094	(672)	-16.4%
Other sources	167	215	(48)	-22.3%
Total	72,323	77,444	(5,121)	-6.6%

In 2016, net electricity generation totaled 72,323 million kWh, a reduction of 5,121 million kWh from 2015. This decrease was mainly due to reduced thermal power generation in Spain following greater imports at lower prices from France, which was only partially offset by increased

nuclear power generation as well as greater hydroelectric generation due to improved water availability during the period. Another factor was the reduction in wind generation, which reflects, in part, the sale of the assets of the ENEOP consortium in Portugal in November 2015.

Contribution to gross thermal generation

Millions of kWh

	2016		2015 restated		Change	
Fuel oil	6,254	9.7%	5,632	8.1%	622	11.0%
Natural gas	5,008	7.8%	5,167	7.5%	(159)	-3.1%
Coal	22,413	34.7%	27,441	39.7%	(5,028)	-18.3%
Nuclear fuel	26,993	41.9%	26,806	38.8%	187	0.7%
Other fuels	3,810	5.9%	4,116	5.9%	(306)	-7.4%
Total	64,478	100.0%	69,162	100.0%	(4,684)	-6.8%

Gross thermal generation in 2016 totaled 64,478 million kWh, a decrease of 4,684 million kWh compared with the previous year. With regard to the mix of fuels used, there

was a decline in the use of coal, which was penalized by a number of regulatory changes.

Net efficient generation capacity

MW

	at Dec. 31, 2016	at Dec. 31, 2015 restated	Change	
Thermal plants	13,030	13,168	(138)	-1.0%
Nuclear plants	3,318	3,318	-	-
Hydroelectric plants	4,764	4,764	-	-
Wind farms	1,618	1,616	2	0.1%
Other	14	46	(32)	-69.6%
Total	22,744	22,912	(168)	-0.7%

Net efficient capacity in 2016 totaled 22,744 MW, a decrease of 168 MW on the previous year connected mainly with the closure of unit 2 of the Compostilla plant.

Electricity distribution and transport networks

	2016	2015 restated	Change	
High-voltage lines at period end (km)	19,539	19,479	60	0.3%
Medium-voltage lines at year end (km)	117,632	118,436	(804)	-0.7%
Low-voltage lines at year end (km)	179,391	179,760	(369)	-0.2%
Total electricity distribution network (km)	316,562	317,675	(1,113)	-0.4%
Electricity transported on Enel's distribution network (millions of kWh) ⁽¹⁾	109,109	107,139	1,970	1.8%

(1) The figure for 2015 reflects a more accurate measurement of amounts transported.

Electricity transported in 2016 totaled 109,109 million kWh, an increase of 1,970 million kWh, which is essentially in line with the increase in demand.

Electricity sales

Millions of kWh

	2016	2015 restated	Change	
Electricity sold by Enel	93,490	92,899	591	0.6%

Electricity sales to end users in 2016 totaled 93,490 million kWh, an increase of 591 million kWh over the same period of 2015.

Performance

Millions of euro

	2016	2015 restated	Change	
Revenue	18,953	20,484	(1,531)	-7.5%
Gross operating margin	3,562	3,353	209	6.2%
Operating income	1,766	1,473	293	19.9%
Capital expenditure	1,147	1,001	146	14.6%

The following tables break down performance by type of business in 2016.

Revenue

Millions of euro

	2016	2015 restated	Change	
Generation and Trading	4,893	5,800	(907)	-15.6%
Infrastructure and Networks	2,566	2,667	(101)	-3.8%
Renewables	665	808	(143)	-17.7%
End-user markets	14,132	15,677	(1,545)	-9.9%
Services	252	251	1	0.4%
Eliminations and adjustments	(3,555)	(4,719)	1,164	-24.7%
Total	18,953	20,484	(1,531)	-7.5%

Revenue in 2016 decreased by €1,531 million due to:

- > a decrease of €1,545 million in revenue on **End-user markets**, essentially due to the reduction in the average sales prices;

- > a decrease of €907 million in revenue from **Generation and Trading** operations, primarily associated with:
 - a decrease of €659 million in revenue from the sale of electricity by the generation companies largely in rela-

tion to the Division's companies that sell electricity and so is also reflected in an analogous increase in eliminations;

- a decrease of €200 million in revenue from the sale and fair-value measurement of environmental certificates essentially related to a number of transactions conducted in 2015;
- > a decrease of €143 million in revenue from **Renewables** generation due mainly to the lower volumes of energy

produced, which primarily reflected the change in the scope of consolidation during the period following the sale of the Portuguese assets at the end of 2015 and for which the fair value was adjusted following the spin-off of the ENEOP consortium in the amount of €29 million;

- > a decrease of €101 million in revenue from **Infrastructure and Networks** operations, primarily reflecting the decrease in revenue from connection fees despite an increase in quantities transported.

Gross operating margin

Millions of euro

	2016	2015 restated	Change	
Generation and Trading	812	780	32	4.1%
Infrastructure and Networks	1,815	1,643	172	10.5%
Renewables	351	419	(68)	-16.2%
End-user markets	677	557	120	21.5%
Services	(93)	(46)	(47)	-
Total	3,562	3,353	209	6.2%

The **gross operating margin** amounted to €3,562 million, an increase of €209 million compared with 2015, reflecting:

- > an increase of €172 million in the margin on **Infrastructure and Networks** operations, which reflects the reduction in operating costs (which in 2015 were influenced by the introduction of an early-retirement plan), more than offsetting the reduction in connection fees;
- > an increase in the margin on **End-user markets** due essentially to lower provisioning costs for both electricity and gas, which more than offset the effect of falling sales prices;
- > an increase of €32 million in the gross operating margin on **Generation and Trading** operations, primarily associated with:
 - an improvement in the generation margin, related essentially to the decrease in provisioning costs;

- the positive effects (€165 million) of a number of regulatory changes, including the reduction in taxes under Law 15/2012 (following a drop in quantities produced) and a ruling of the unconstitutionality of the tax on nuclear power generation in Catalonia;

- a decrease of €200 million in the margin on environmental certificates;

- > a reduction of €68 million in the margin on **Renewables** generation, where the decrease in revenue connected with the aforementioned change in the scope of consolidation was partially offset by a number of efficiency-improvement measures and the combined effect of the provisions recognized in 2015 and their subsequent release in 2016 (€28 million) in respect of obligations for the construction and development of the Portuguese hydroelectric plant at Girabolhos.

Operating income

Millions of euro

	2016	2015 restated	Change	
Generation and Trading	187	127	60	47.2%
Infrastructure and Networks	1,044	868	176	20.3%
Renewables	89	139	(50)	-36.0%
End-user markets	537	399	138	34.6%
Services	(91)	(60)	(31)	-51.7%
Total	1,766	1,473	293	19.9%

Operating income in 2016 totaled €1,766 million, including the effect of €1,796 million in depreciation, amortization and impairment losses (€1,880 million in 2015), an increase of €293 million over 2015. The reduction in depreciation, amor-

tization and impairment was essentially due to the reduction compared with 2015 in impairment related to a number of items of property, plant and equipment and intangible assets and trade receivables.

Capital expenditure

Millions of euro

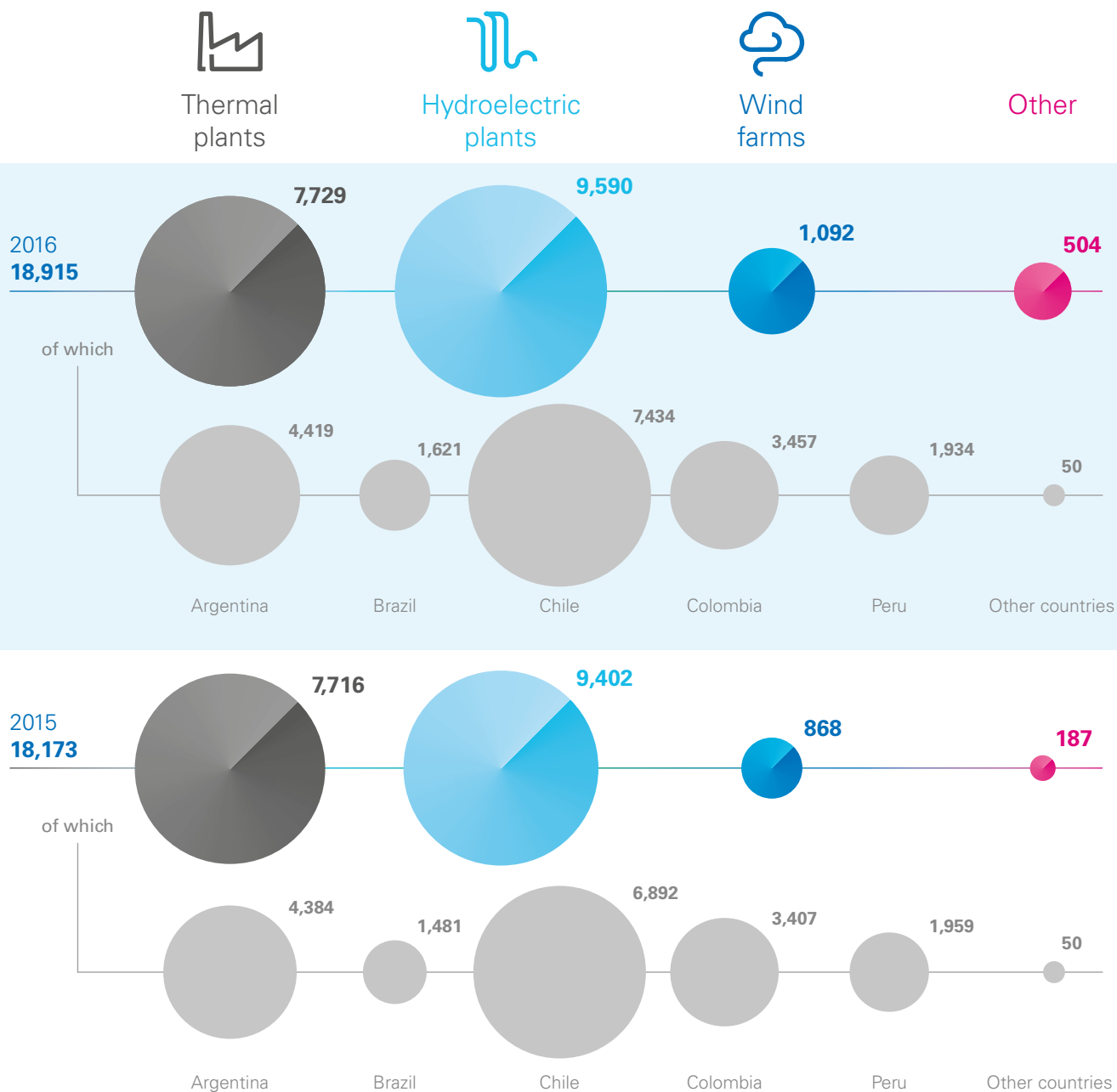
	2016	2015 restated	Change	
Generation and Trading	355	273	82	30.0%
Infrastructure and Networks	644	615	29	4.7%
Renewables	78	64	14	21.9%
End-user markets	53	49	4	8.2%
Services	17	-	17	-
Total	1,147	1,001	146	14.6%

Capital expenditure came to €1,147 million, up €146 million year on year. In particular, capital expenditure in 2016 primarily concerned generation plants (€355 million) as well

as work on the distribution network (€237 million), notably projects related to improving service quality.



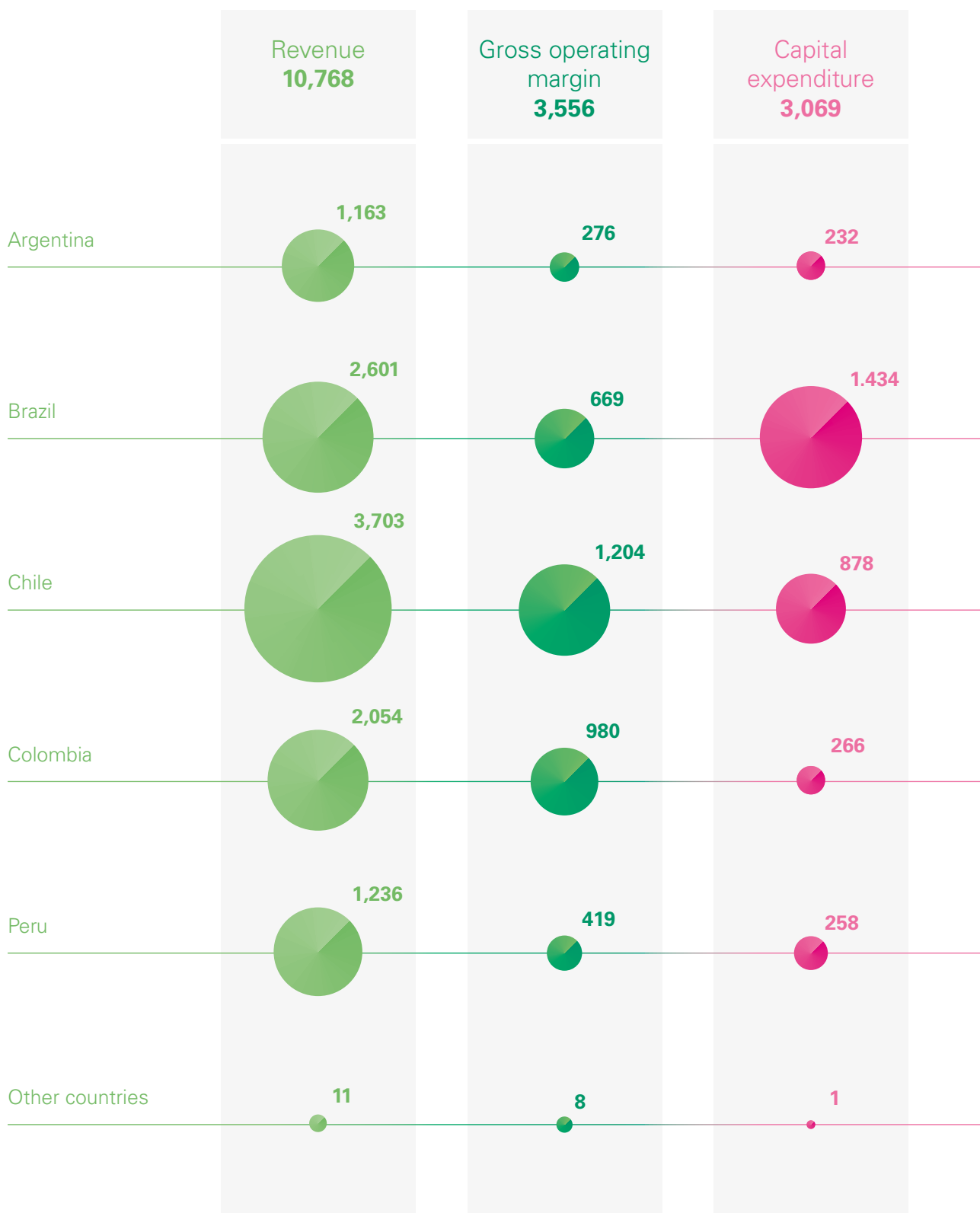
Net efficient generation capacity (MW)



Electricity distribution and transport networks in 2016 (km) **322,146**



Performance in 2016 (millions of euro)



Operations

Net electricity generation

Millions of kWh

	2016	2015 restated	Change	
Thermal	26,268	26,252	16	0.1%
Hydroelectric	32,619	34,909	(2,290)	-6.6%
Wind	2,451	1,842	609	33.1%
Other sources	827	268	559	-
Total	62,165	63,271	(1,106)	-1.7%
- of which Argentina	13,124	15,204	(2,080)	-13.7%
- of which Brazil	5,474	5,690	(216)	-3.8%
- of which Chile	19,728	19,822	(94)	-0.5%
- of which Colombia	14,952	13,705	1,247	9.1%
- of which Peru	8,698	8,801	(103)	-1.2%
- of which other countries	189	49	140	-

In 2016, net electricity generation totaled 62,165 million kWh, a reduction of 1,106 million kWh from 2015. The significant decrease in Argentina, related mainly to the production of combined-cycle plants, was partially offset by the increase in power generation in Colombia, which benefitted significantly from the start of operations of the El Quimbo hydroelectric plant in the second half of 2015. In

terms of the technology mix, there was a sharp decline in hydroelectric generation due mainly to the drought conditions brought on by El Niño, which was partially offset by the increase in production from other renewables, benefiting from increases in capacity, particularly in Chile and Brazil.

Contribution to gross thermal generation

Millions of kWh

	2016		2015 restated		Change	
Fuel oil	1,723	6.3%	1,643	6.0%	80	4.9%
Natural gas	18,933	69.5%	20,367	74.1%	(1,434)	-7.0%
Coal	3,970	14.6%	3,156	11.5%	814	25.8%
Other fuels	2,628	9.6%	2,308	8.4%	320	13.9%
Total	27,254	100.0%	27,474	100.0%	(220)	-0.8%

Gross thermal generation in 2016 totaled 27,254 million kWh, a decrease of 220 million kWh compared with the previous year. This was essentially related to the decreased use

of natural gas, which more than offset the increase in other types of fuel.

Net efficient generation capacity

MW

	at Dec. 31, 2016	at Dec. 31, 2015 restated	Change	
Thermal plants	7,729	7,716	13	0.2%
Hydroelectric plants	9,590	9,402	188	2.0%
Wind farms	1,092	868	224	25.8%
Other	504	187	317	-
Total	18,915	18,173	742	4.1%
- of which Argentina	4,419	4,384	35	0.8%
- of which Brazil	1,621	1,481	140	9.5%
- of which Chile	7,434	6,892	542	7.9%
- of which Colombia	3,457	3,407	50	1.5%
- of which Peru	1,934	1,959	(25)	-1.3%
- of which other countries	50	50	-	-

Net efficient capacity amounted to 18,915 MW at the end of 2016, an increase of 742 MW on the previous year, es-

entially due to the expansion of installed capacity in Brazil and Chile, the latter of which related to solar plants.

Electricity distribution and transport networks

	2016	2015 restated	Change	
High-voltage lines at year end (km)	12,339	12,173	166	1.4%
Medium-voltage lines at year end (km)	159,961	157,077	2,884	1.8%
Low-voltage lines at year end (km)	149,846	147,246	2,600	1.8%
Total electricity distribution network (km)	322,146	316,496	5,650	1.8%
Electricity transported on Enel's distribution network (millions of kWh) ⁽¹⁾	78,525	78,530	(5)	-
- of which Argentina	18,493	18,492	1	-
- of which Brazil	22,809	22,776	33	0.1%
- of which Chile	15,809	15,657	152	1.0%
- of which Colombia	13,632	13,946	(314)	-2.3%
- of which Peru	7,782	7,659	123	1.6%

(1) The figure for 2015 reflects a more accurate measurement of amounts transported.

Energy transported in 2016 came to 78,525 million kWh, a decline of 5 million kWh compared with 2015.

Electricity sales

Millions of kWh

	2016	2015 restated	Change	
Free market	6,124	6,062	62	1.0%
Regulated market	56,966	57,370	(404)	-0.7%
Total	63,090	63,432	(342)	-0.5%
- of which Argentina	15,654	15,450	204	1.3%
- of which Brazil	19,128	19,506	(378)	-1.9%
- of which Chile	13,067	13,203	(136)	-1.0%
- of which Colombia	8,505	8,463	42	0.5%
- of which Peru	6,736	6,810	(74)	-1.1%

Electricity sales in 2016 totaled 63,090 million kWh, decreasing by 342 million kWh compared with the previous year.

This change was mainly due to decreased sales in Brazil and Chile.

Performance

Millions of euro

	2016	2015 restated	Change	
Revenue	10,768	10,828	(60)	-0.6%
Gross operating margin	3,556	3,306	250	7.6%
Operating income	2,163	2,320	(157)	-6.8%
Capital expenditure	3,069	2,937	132	4.5%

The following tables show a breakdown of performance by country in 2016.

Revenue

Millions of euro

	2016	2015 restated	Change	
Argentina	1,163	1,127	36	3.2%
Brazil	2,601	2,868	(267)	-9.3%
Chile	3,703	3,429	274	8.0%
Colombia	2,054	2,157	(103)	-4.8%
Peru	1,236	1,243	(7)	-0.6%
Other countries	11	4	7	-
Total	10,768	10,828	(60)	-0.6%

Revenue for 2016 posted a decrease of €60 million due mainly to:

- > an increase of €274 million in revenue in Chile, largely due to:
 - the gain on the sale of the 20% stake in GNL Quintero (€171 million);

- the increase in distribution and sale rates and in quantities transported;
- the unfavorable trend in the exchange rate between the euro and the Chilean peso (€100 million);
- > an increase of €36 million in revenue in Argentina, es-

essentially due to the effects of the rate reform introduced by the Argentine Government with *Resolución* ENRE 1/2016, which led to a significant increase in sales rates. This effect was largely offset by the recognition, in 2015, of a contribution for a lack of rate increases following *Resolución* 32/2015 (€236 million) and the effect of markedly adverse exchange rate developments due to the weakening of the Argentine peso against the euro (€690 million);

- > a €267 million reduction in revenue in Brazil due to the weakening of the local currency against the euro (€108 million) and following regulatory changes concerning the recognition of sector income and expense items (*Conta*

de Compensação de Variação de Valores de Itens da "Parcela A" - CVA). These effects were partially offset by an average increase in prices following the revision of rates in December 2015 and March 2016;

- > a decrease of €103 million in revenue in Colombia, mainly attributable to the change in the exchange rate with the Colombian peso (€221 million), which was only partially offset by an increase in quantities generated and sold;
- > a decrease of €7 million in revenue in Peru, mainly due to the adverse trend in exchange rates, which more than offset the greater quantities transported and the increase in unit sales prices.

Gross operating margin

Millions of euro

	2016	2015 restated	Change	
Argentina	276	279	(3)	-1.1%
Brazil	669	536	133	24.8%
Chile	1,204	1,035	169	16.3%
Colombia	980	970	10	1.0%
Peru	419	484	(65)	-13.4%
Other countries	8	2	6	-
Total	3,556	3,306	250	7.6%

The **gross operating margin** amounted to €3,556 million, an increase of €250 million (+7.6%) compared with 2015, reflecting:

- > an increase of €169 million in gross operating margin in Chile, which reflects the capital gain noted above and the improved margin on sales, the effects of which were partially mitigated by the recognition of losses related to the abandonment of five hydroelectric projects in the country (including Puelo and Futaleufú) for a total value of €166 million;
- > an increase of €133 million in the margin in Brazil due, above all, to the regulatory changes during the year, which more than offset exchange rate effects (of a negative €28 million);
- > an increase of €10 million in gross operating margin in

Colombia, where the positive impact of the increase in quantities generated and sold was almost entirely offset by exchange rate effects (a negative €106 million);

- > a decrease of €3 million in gross operating margin in Argentina due mainly to a change in the regulatory mechanism concerning the two periods under review, which was largely offset by the adverse trend in exchange rates (equal to €164 million);
- > a €65 million decrease in gross operating margin in Peru due mainly to the loss of €30 million related to abandoning the hydroelectric projects in Curibamba and Marañon and the provisions allocated, in the amount of €37 million, for failing to meet the terms of the electricity-supply agreement with Electroperu.

Operating income

Millions of euro

	2016	2015 restated	Change	
Argentina	208	210	(2)	-1.0%
Brazil	250	170	80	47.1%
Chile	610	778	(168)	-21.6%
Colombia	801	813	(12)	-1.5%
Peru	290	347	(57)	-16.4%
Other countries	4	2	2	-
Total	2,163	2,320	(157)	-6.8%

Operating income in 2016 totaled €2,163 million, including €1,393 million in depreciation, amortization and impairment losses (€986 million in 2015), a decrease of €157 million compared with the previous year. This change is reflected in the €406 million increase in depreciation, amortization and impairment, which is essentially related to:

> recognition of impairment on certain rights for the use of

water resources in the rivers Neltume and Choshuenco, which was recognized due to uncertainty surrounding continuation of the projects due, in part, to certain legal and procedural restrictions, for a total of €311 million;

> an increase of €95 million in writedowns of trade receivables, mainly in Brazil and Colombia.

Capital expenditure

Millions of euro

	2016	2015 restated	Change	
Argentina	232	350	(118)	-33.7%
Brazil	1,434	791	643	81.3%
Chile	878	1,018	(140)	-13.8%
Colombia	266	540	(274)	-50.7%
Peru	258	185	73	39.5%
Other countries	1	53	(52)	-98.1%
Total	3,069	2,937	132	4.5%

Capital expenditure came to €3,069 million, up €132 million year on year. In particular, capital expenditure in 2016 concerned:

> work to improve the distribution network in Brazil;

> the thermal power plants of Gas Atacama in Chile and Costanera in Argentina;

> the extension and improvement of the distribution network in Peru.

Europe and North Africa



Net efficient generation capacity (MW)



Thermal plants



Nuclear plants

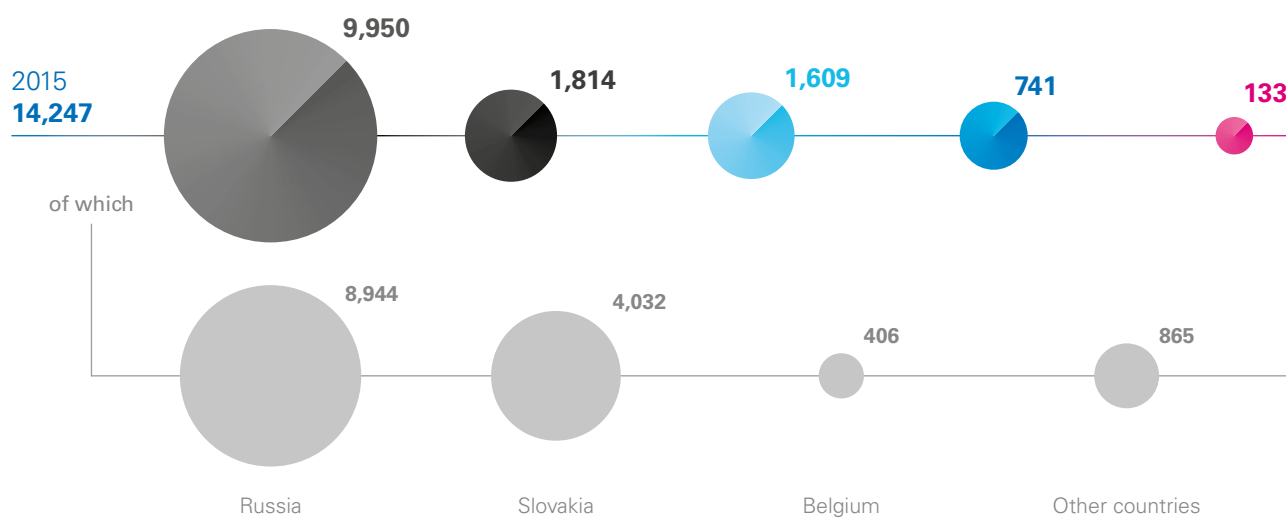
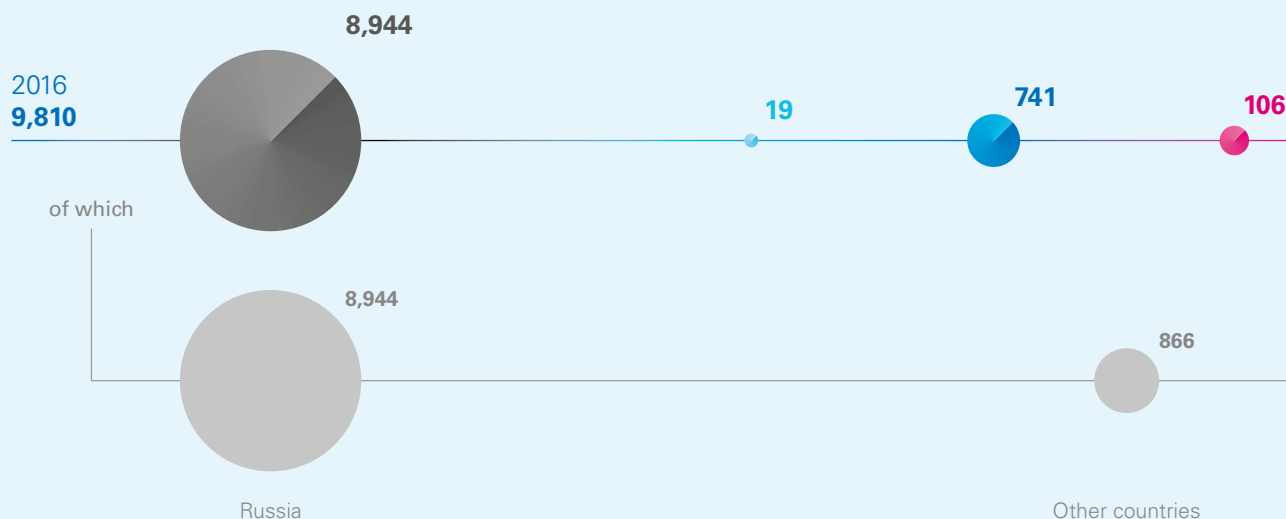


Hydroelectric plants



Wind farms

Other



Electricity distribution and transport networks in 2016 (km) **91,458**



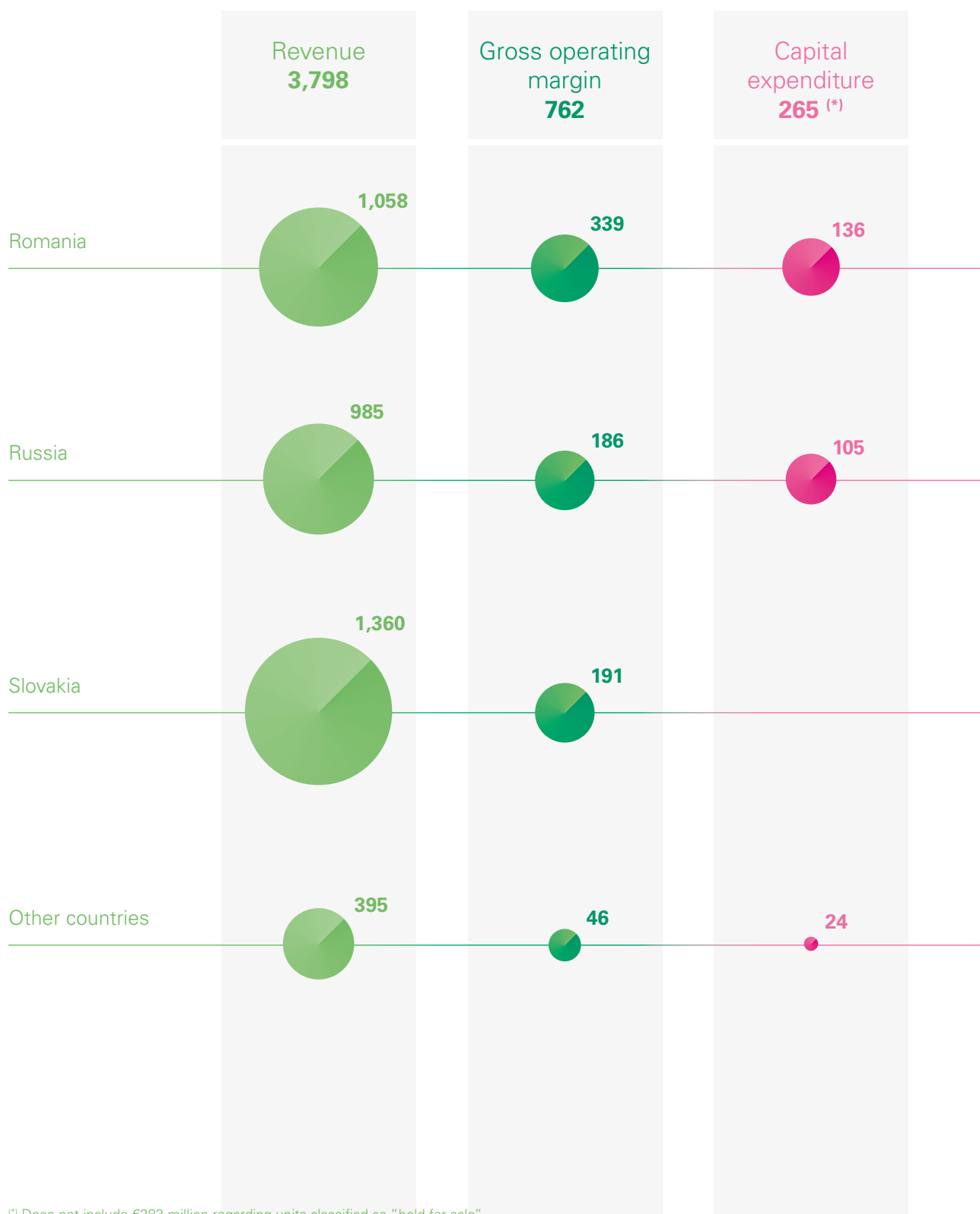
High voltage
(HV)

Medium voltage
(MV)

Low voltage
(LV)



Performance in 2016 (millions of euro)



Operations

Net electricity generation

Millions of kWh

	2016	2015 restated	Change	
Thermal	42,993	45,024	(2,031)	-4.5%
Nuclear	7,523	14,081	(6,558)	-46.6%
Hydroelectric	1,235	2,410	(1,175)	-48.8%
Wind	1,715	1,798	(83)	-4.6%
Other sources	147	188	(41)	-21.8%
Total	53,613	63,501	(9,888)	-15.6%
- of which Russia	41,062	42,090	(1,028)	-2.4%
- of which Slovakia	9,684	18,292	(8,608)	-47.1%
- of which Belgium	977	1,150	(173)	-15.0%
- of which other countries	1,890	1,969	(79)	-4.0%

In 2016, net electricity generation amounted to 53,613 million kWh, a decrease of 9,888 million kWh on the same period of 2015.

This change is mainly attributable to the decrease in production in Slovakia in both the nuclear and hydroelectric segments due mainly to the deconsolidation of Slovenské elektrárne beginning as from the end of July 2016. To this

factor we can also add the decline in power generation in Russia due to a failure at the Nevinnomisskaya combined-cycle plant (-967 million kWh) and a decrease in production by the coal-fired plants (-641 million kWh), the effects of which were only partially offset by the positive trend for the traditional oil and gas-fired plants favored by the temporary unavailability of other technologies.

Contribution to gross thermal generation

Millions of kWh

	2016		2015 restated		Change	
Natural gas	25,000	46.7%	25,552	40.7%	(552)	-2.2%
Coal	20,483	38.2%	22,098	35.2%	(1,615)	-7.3%
Nuclear fuel	8,102	15.1%	15,146	24.1%	(7,044)	-46.5%
Total	53,585	100.0%	62,796	100.0%	(9,211)	-14.7%

Gross thermal generation for 2016 decreased by 9,211 million kWh to 53,585 million kWh, a change which mostly con-

cerned the nuclear fuel segment in Slovakia following the deconsolidation, but the other sources also posted declines.

Net efficient generation capacity

MW

	at Dec. 31, 2016	at Dec. 31, 2015 restated	Change	
Thermal plants	8,944	9,950	(1,006)	-10.1%
Nuclear plants	-	1,814	(1,814)	-100.0%
Hydroelectric plants	19	1,609	(1,590)	-98.8%
Wind farms	741	741	-	-
Other	106	133	(27)	-
Total	9,810	14,247	(4,437)	-31.1%
- of which Russia	8,944	8,944	-	-
- of which Slovakia	-	4,032	(4,032)	-100.0%
- of which Belgium	-	406	(406)	-100.0%
- of which other countries	866	865	1	0.1%

Net efficient capacity in 2016 totaled 9,810 MW, a decrease of 4,437 MW on the previous year. The change compared with December 31, 2016 is entirely attributable to the de-

consolidation of Slovenské elektrárne and Marcinelle Energie following their sale in July and December 2016, respectively.

Electricity distribution and transport networks

	2016	2015 restated	Change	
High-voltage lines at year end (km)	6,505	6,584	(79)	-1.2%
Medium-voltage lines at year end (km)	35,015	35,043	(28)	-0.1%
Low-voltage lines at year end (km)	49,938	49,658	280	0.6%
Total electricity distribution network (km)	91,458	91,285	173	0.2%
Electricity transported on Enel's distribution network (millions of kWh)	14,890	14,582	308	2.1%

Electricity transported, which was concentrated entirely in Romania, posted an increase of 308 million kWh (+2.1%), going from 14,582 million kWh to 14,890 million kWh in

2016. This increase was mainly the result of new grid connections, which reflects the development of the country's power grid.

Electricity sales

Millions of kWh

	2016	2015 restated	Change	
Free market	7,471	10,407	(2,936)	-28.2%
Regulated market	4,864	5,353	(489)	-9.1%
Total	12,335	15,760	(3,425)	-21.7%
- of which Romania	7,719	7,691	28	0.4%
- of which France	2,218	3,966	(1,748)	-44.1%
- of which Slovakia	2,398	4,103	(1,705)	-41.6%

Electricity sales in 2016 decreased by 3,425 million kWh, going from 15,760 million kWh to 12,335 million kWh. This reduction may be attributed to:

- > the decrease of 1,748 million kWh in quantities sold in France as a result of the commercial strategy adopted by

the Group in the country inspired, in part, by the sale of Enel France in December 2016;

- > the reduction of 1,705 million kWh in quantities sold in Slovakia, which was almost entirely related to the deconsolidation.

Performance

Millions of euro

	2016	2015 restated	Change	
Revenue	3,798	4,990	(1,192)	-23.9%
Gross operating margin	762	1,451	(689)	-47.5%
Operating income	286	(569)	855	-
Capital expenditure	265 ⁽¹⁾	249 ⁽²⁾	16	6.4%

(1) Does not include €283 million regarding units classified as "held for sale".

(2) Does not include €648 million regarding units classified as "held for sale".

The following tables show a breakdown of performance by country in 2016.

Revenue

Millions of euro

	2016	2015 restated	Change	
Romania	1,058	1,090	(32)	-2.9%
Russia	985	1,062	(77)	-7.3%
Slovakia	1,360	2,401	(1,041)	-43.4%
Other countries	395	437	(42)	-9.6%
Total	3,798	4,990	(1,192)	-23.9%

Revenue for 2016, in the amount of €3,798 million, decreased by €1,192 million (-23.9%) from the previous year. The performance was related to the following factors:

- > the €1,041 million decrease in revenue in Slovakia due to deconsolidation following the sale at the end of July 2016;
- > a decrease of €77 million in revenue in Russia due mainly to the weakening of the ruble against the euro (€88 million), which, combined with lower quantities generated, was only partially offset by an increase in unit sales prices;
- > the decrease of €32 million in revenue in Romania due essentially to the lower sales volumes on the retail market following the progressive liberalization of the market, the effects of which were only partially offset by an increase in quantities transported and in new connections;
- > a reduction of €124 million in revenue in France, which was only partially offset by an increase mainly in Belgium due to increased sales of gas.

Gross operating margin

Millions of euro

	2016	2015 restated	Change	
Romania	339	364	(25)	-6.9%
Russia	186	164	22	13.4%
Slovakia	191	871	(680)	-78.1%
Other countries	46	52	(6)	-11.5%
Total	762	1,451	(689)	-47.5%

Gross operating margin amounted to €762 million, a decrease of €689 million compared with 2015. This performance was mainly due to:

- > a decrease of €680 million in gross operating margin in Slovakia related mainly to the partial reversal of the provision for the disposal of nuclear fuel in the amount of €550 million in the 3rd Quarter of 2015 upon completion of the study by independent experts and taking account of new legislation introduced by the Slovakian Government in July 2015 concerning the back end of exhausted nuclear fuel. Add to this the effect of the deconsolidation at the end of July 2016;
- > a reduction of €25 million in the margin in Romania, which was almost entirely attributable to the margin on electricity transport;
- > a decrease in gross operating margin in Belgium as a result of an increase in cost and a decrease in quantities produced.

Operating income

Millions of euro

	2016	2015 restated	Change	
Romania	71	58	13	22.4%
Russia	136	(839)	975	-
Slovakia	114	184	(70)	-38.0%
Other countries	(35)	28	(63)	-
Total	286	(569)	855	-

Operating income in 2016 totaled €286 million, an increase of €855 million. The result takes account of a decrease of €1,544 million in depreciation, amortization and impairment losses. More specifically, the change was mainly the result of:

- > a decrease of €86 million in depreciation and amortization, mostly related to the deconsolidation of Slovenské elektrárne;
- > an increase of €26 million in impairment on the CGU Enel Green Power Romania;

- > impairment recognized in 2015 on the assets of Slovenské elektrárne in the amount of €574 million in order to adjust their value to estimated net realizable value in accordance with IFRS 5; analogous impairment of €19 million was recognized in 2016;
- > impairment of €899 million recognized in 2015 on the power generation assets held by Enel Russia given the ongoing unfavorable conditions of the market and regulatory landscape there.

Capital expenditure

Millions of euro

	2016	2015 restated	Change	
Romania	136	121	15	12.4%
Russia	105	112	(7)	-6.2%
Other countries	24	16	8	50.0%
Total	265 ⁽¹⁾	249 ⁽²⁾	16	6.4%

(1) Does not include €283 million regarding units classified as "held for sale".

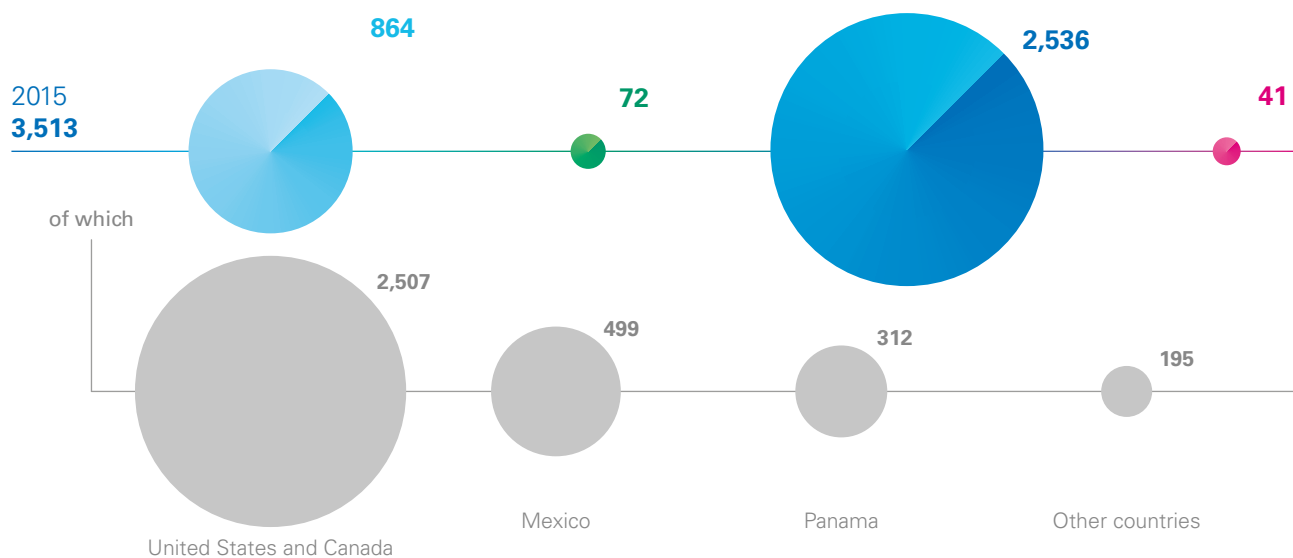
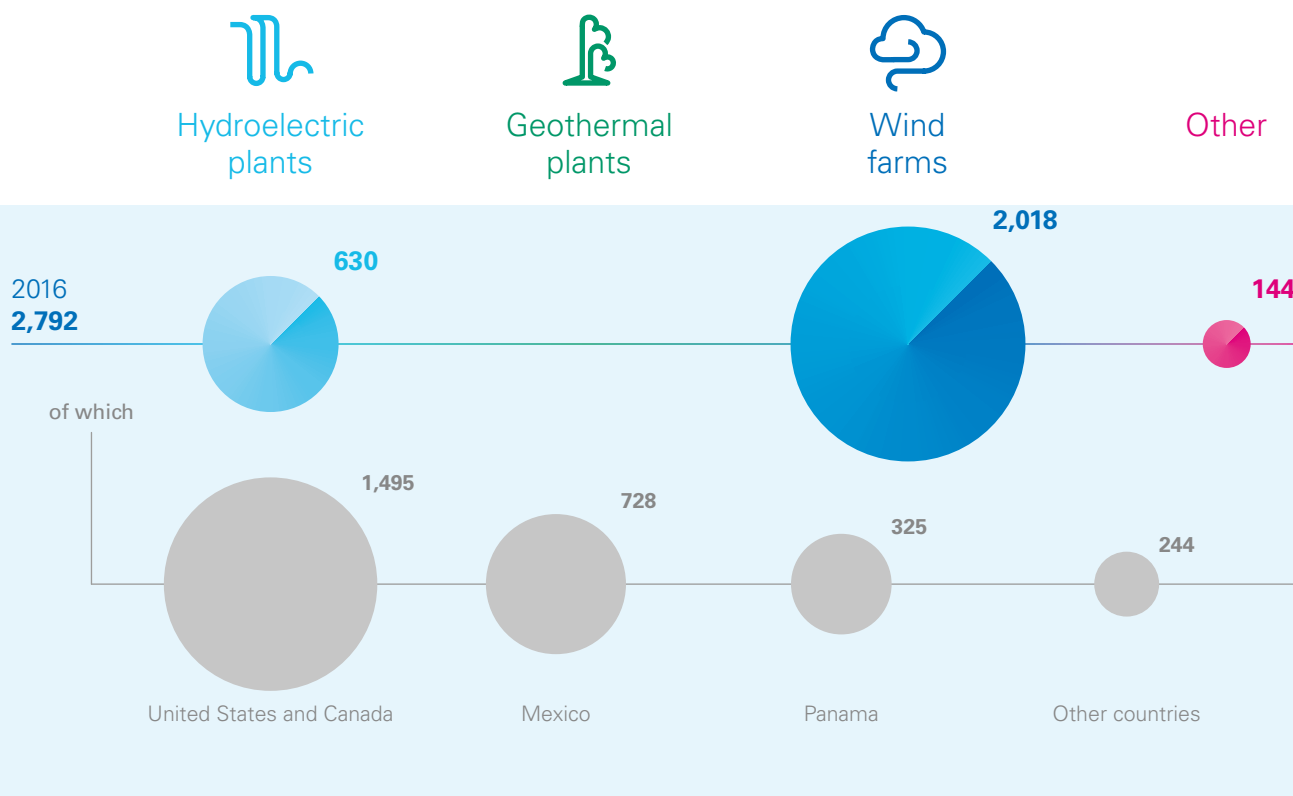
(2) Does not include €648 million regarding units classified as "held for sale".

Capital expenditure came to €265 million, up €16 million year on year.

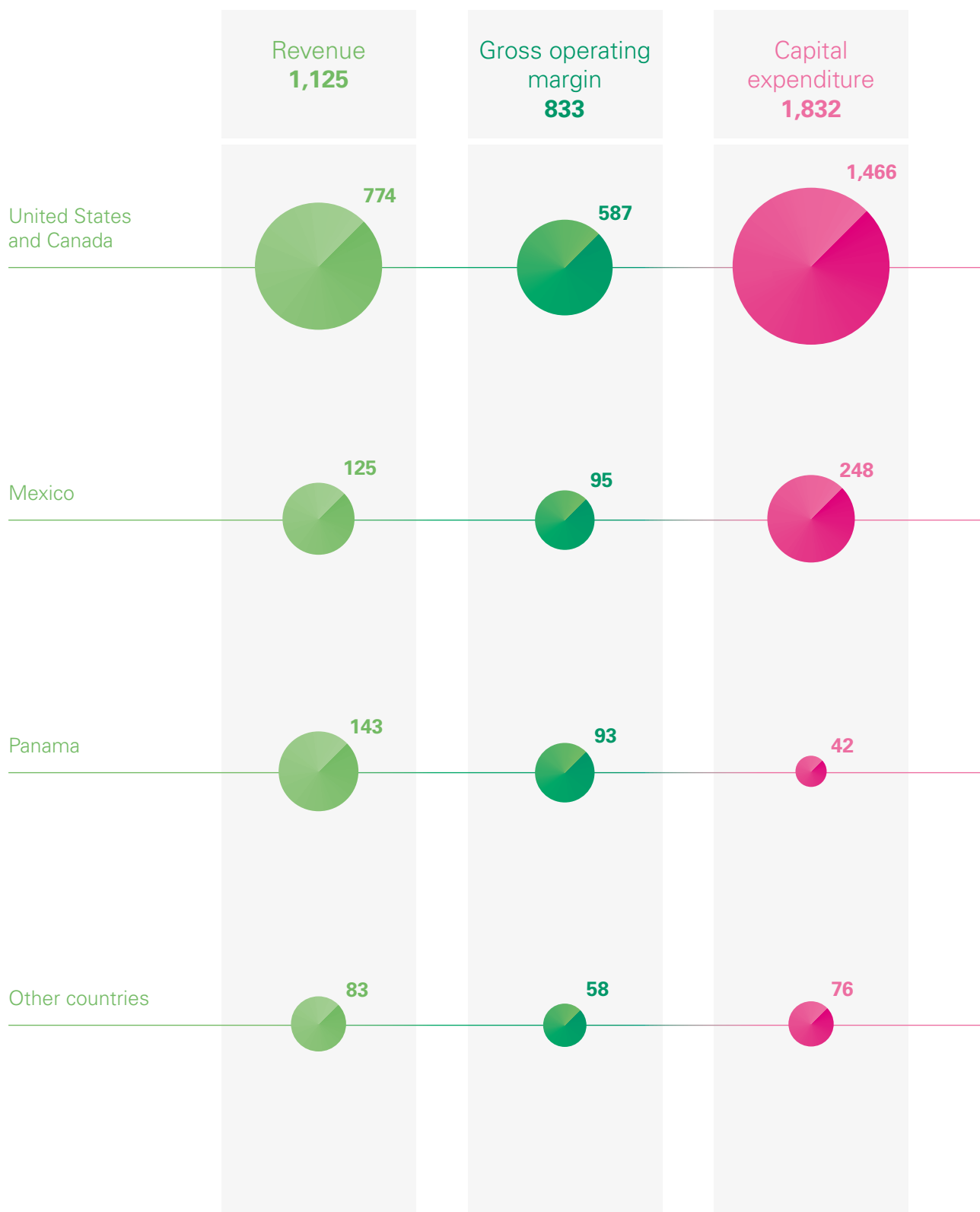
North and Central America



Net efficient generation capacity (MW)



Performance in 2016 (millions of euro)



Operations

Net electricity generation

Millions of kWh

	2016	2015 restated	Change	
Hydroelectric	2,837	3,456	(619)	-17.9%
Geothermal	362	396	(34)	-8.6%
Wind	9,007	7,303	1,704	23.3%
Other sources	62	54	8	14.8%
Total net generation	12,268	11,209	1,059	9.4%
- of which United States and Canada	8,628	7,368	1,260	17.1%
- of which Mexico	1,781	1,372	409	29.8%
- of which Panama	1,367	1,661	(294)	-17.7%
- of which other countries	492	808	(316)	-39.1%

In 2016, net electricity generation totaled 12,268 million kWh, an increase of 1,059 million kWh from 2015. This increase may be attributed mainly to the increase in wind power in the United States and Canada (+1,260 million kWh) related to the start of operations at a number of wind plants, such as Drift Sand and Chisholm View II in Oklahoma, Lindahl in North Dakota and Cimarron Bend I in Kansas,

as well as the start of operations at the wind farms of Palo Alto and Vientos del Altiplano in Mexico (+409 kWh), which was partially offset by a decrease of hydroelectric power generation in Panama (-305 million kWh) and in Guatemala (-210 kWh) as a result of reduced water availability for the period.

Net efficient generation capacity

MW

	at Dec. 31, 2016	at Dec. 31, 2015 restated	Change	
Hydroelectric plants	630	864	(234)	-27.1%
Geothermal plants	-	72	(72)	-100.0%
Wind farms	2,018	2,536	(518)	-20.4%
Other	144	41	103	-
Total	2,792	3,513	(721)	-20.5%
- of which United States and Canada	1,495	2,507	(1,012)	-40.4%
- of which Mexico	728	499	229	45.9%
- of which Panama	325	312	13	4.2%
- of which other countries	244	195	49	25.1%

Net efficient generation capacity for 2016 totaled 2,792 MW, a decrease of 721 MW compared with the previous year due essentially to a reduction in net efficient generation capacity at the wind farms in the United States and Canada (-1,012 million MW), associated with the deconsolidation of a number of plants following the sale of 1% of Enel Green Power North

America Renewable Energy Partners ("EGPNA REP"), which was partially offset by an increase in net efficient generation capacity in Mexico (+229 million MW) with the start of operations for the wind farms of Palo Alto (+129 MW) and Vientos del Altiplano (+100 MW) as mentioned above.

Performance

Millions of euro

	2016	2015 restated	Change	
Revenue	1,125	882	243	27.6%
Gross operating margin	833	575	258	44.9%
Operating income	565	338	227	67.2%
Capital expenditure	1,832	720	1,112	-

The tables below show the financial performance by geographic area in 2016.

Revenue

Millions of euro

	2016	2015 restated	Change	
United States and Canada	774	534	240	44.9%
Mexico	125	95	30	31.6%
Panama	143	172	(29)	-16.9%
Other countries	83	81	2	2.5%
Total	1,125	882	243	27.6%

Revenue for 2016 came to €1,125 million, up €243 million (+27.6%) year on year. The performance was related to the following factors:

- > an increase of €240 million in revenue in the United States and Canada due essentially to an increase of €108 million in tax-partnership revenue, particularly for Aurora Solar, the remeasurement at fair value (€95 million) of the Group's interest in EGPNA REP following the loss of control of the company as a result of changes in governance arrangements, the gains recognized on the sale of Cimarron and Lindahl totaling €35 million and the increase in

revenue due to the greater quantities produced, above all due to wind plants;

- > an increase of €30 million in revenue in Mexico related mainly to the increase in wind power as mentioned above (€12 million) and increased revenue resulting from the positive outcome of VAT-recovery proceedings (€14 million);
- > a decrease of €29 million in revenue in Panama due to a reduction in revenue from the sale of electricity as a result of reduced water availability.

Gross operating margin

Millions of euro

	2016	2015 restated	Change	
United States and Canada	587	351	236	67.2%
Mexico	95	54	41	75.9%
Panama	93	116	(23)	-19.8%
Other countries	58	54	4	7.4%
Total	833	575	258	44.9%

Gross operating margin came to €833 million in 2016, an increase of €258 million (+44.9%) compared with 2015. The

increase may be attributed to the following factors:

- > an increase of €236 million in the margin in the United

States and Canada, attributable to the increase in revenue described above, only partly offset by an increase in operating and personnel expenses;

- > an increase of €41 million in the margin in Mexico, which benefitted from the increase in volumes generated and from revenue from VAT refunds;

- > a decrease of €23 million in the margin in Panama due to the reduction in revenue and an increase in costs to purchase electricity to make up for a decrease in output as a result of reduced water availability.

Operating income

Millions of euro

	2016	2015 restated	Change	
United States and Canada	398	168	230	-
Mexico	42	23	19	82.6%
Panama	80	104	(24)	-23.1%
Other countries	45	43	2	4.7%
Total	565	338	227	67.2%

Operating income for 2016 amounted to €565 million, an increase of €227 million, taking account of an increase of €31 million in depreciation, amortization and impairment,

essentially in Mexico, the United States and Canada due mainly to the start of operations of new plants.

Capital expenditure

Millions of euro

	2016	2015 restated	Change	
United States and Canada	1,466	289	1,177	-
Mexico	248	286	(38)	-13.3%
Panama	42	19	23	-
Other countries	76	126	(50)	-39.7%
Total	1,832	720	1,112	-

Capital expenditure in 2016 totaled €1,832 million for an increase of €1,112 million from the previous year due to an increase in capital expenditure for wind farms in the United States and Canada, particularly at Cimarron Bend I (€255

million), Cimarron Bend II (€179 million), Aurora (€231 million), Chisholm View (€82 million), Drift Sand (€76 million), and Lindahl (€189 million).

Sub-Saharan Africa and Asia



Net efficient generation capacity (MW)

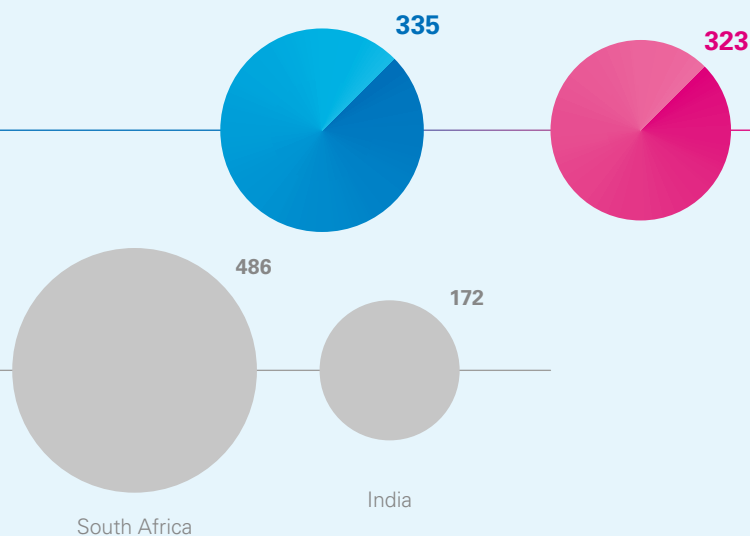


Wind farms

Other

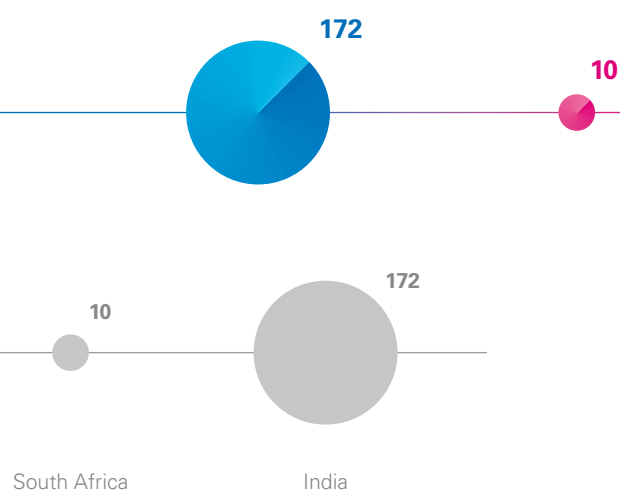
2016
658

of which

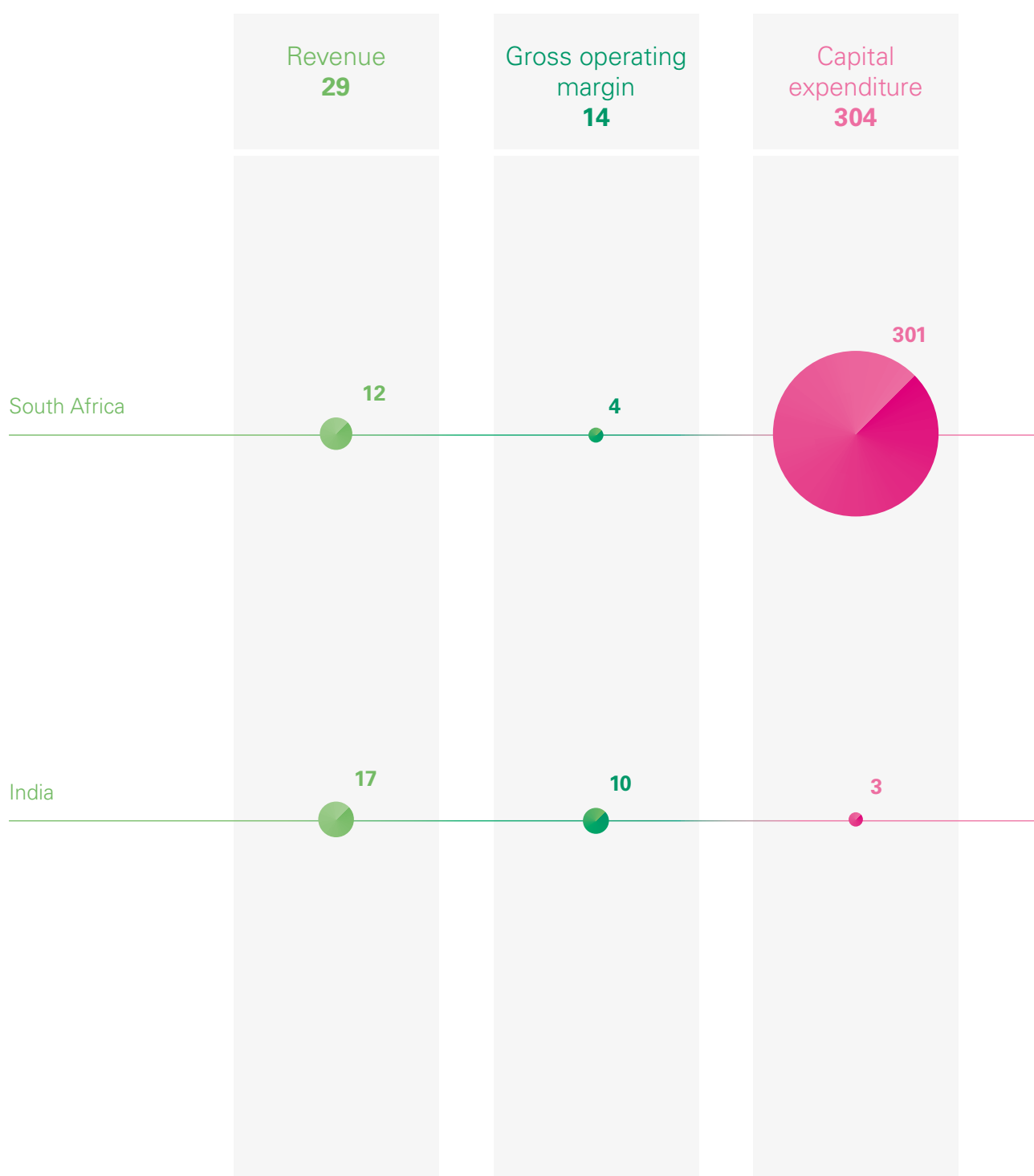


2015
182

of which



Performance in 2016 (millions of euro)



Operations

Net electricity generation

Millions of kWh

	2016	2015 restated	Change	
Wind	401	48	353	-
Other sources	129	18	111	-
Total	530	66	464	-
- of which South Africa	203	18	185	-
- of which India	327	48	279	-

Net generation in 2016 totaled 530 million kWh, an increase of 464 million kWh compared with 2015. The rise can mainly be attributed to the consolidation of the Indian

companies beginning at the end of September 2015 and the start of operations at a number of wind farms and photovoltaic plants in South Africa as described below.

Net efficient generation capacity

MW

	at Dec. 31, 2016	at Dec. 31, 2015 restated	Change	
Wind farms	335	172	163	94.8%
Other	323	10	313	-
Total	658	182	476	-
- of which South Africa	486	10	476	-
- of which India	172	172	-	-

Net efficient generation capacity in 2016 totaled 658 MW for an increase of 476 MW compared with the previous year, which was entirely due to the start of operations for the pho-

totovoltaic plants Paleisheuvel (82.5 MW) and Tom Burke (66 MW) and for the Nojoli wind farm (88 MW).

Performance

Millions of euro

	2016	2015 restated	Change	
Revenue	29	18	11	61.1%
Gross operating margin	14	7	7	-
Operating income	(5)	4	(9)	-
Capital expenditure	304	311	(7)	-2.3%

The tables below show performance by geographic area in 2016.

Revenue

Millions of euro

	2016	2015 restated	Change	
South Africa	12	15	(3)	-20.0%
India	17	3	14	-
Total	29	18	11	61.1%

Revenue for 2016 came to €29 million, up €11 million year on year. This increase was mainly due to the different period of consolidation for the Indian companies.

Gross operating margin

Millions of euro

	2016	2015 restated	Change	
South Africa	4	6	(2)	-33.3%
India	10	1	9	-
Total	14	7	7	-

Gross operating margin reached €14 million in 2016, an increase of €7 million over 2015. The change reflects the aforementioned difference in consolidation periods for the Indian

companies, as well as the effect of the start of operations and greater production of the plants in South Africa.

Operating income

Millions of euro

	2016	2015 restated	Change	
South Africa	(10)	4	(14)	-
India	5	-	5	-
Total	(5)	4	(9)	-

The **operating loss** of €5 million in 2016 is a decrease in performance of €9 million, which includes an increase of €16 million in depreciation, amortization and impairment

due mainly to the start of operations at the plants in South Africa and the consequent start of depreciation.

Capital expenditure

Millions of euro

	2016	2015 restated	Change	
South Africa	301	311	(10)	-3.2%
India	3	-	3	-
Total	304	311	(7)	-2.3%

Capital expenditure came to €304 million in 2016, down €7 million on the previous year. The figure mainly concerns

photovoltaic plants in South Africa, whereas the new projects in India are still at the pre-execution stage.

Other, eliminations and adjustments

Performance

Millions of euro

	2016	2015 restated	Change	
Revenue (net of eliminations)	861	831	30	3.6%
Gross operating margin	(130)	(311)	181	-58.2%
Operating income	(241)	(469)	228	-48.6%
Capital expenditure	52 ⁽¹⁾	52	-	-

(1) The figure does not include €7 million regarding units classified as held for sale.

Revenue net of eliminations for 2016 amounted to €861 million, an increase of €30 million (+3.6%) from the previous year. The change can essentially be attributed to the gain recognized in the 1st Quarter of 2016 following the sale of the reinsurance company Compostilla Re (€19 million).

Gross operating margin for 2016, a negative €130 million, represents an improvement of €181 million compared with the figure for the previous year. This trend reflects both the aforementioned gain and the greater personnel expenses recognized in 2015 following the signing of a new agreement with the trade unions for redundancy incentives pursuant to Article 4 of the Fornero Act and the recognition of a one-off indemnity paid to former employ-

ees who benefitted from the electricity discount following its revocation, which was partially offset by the reversal of the provision established for this purpose. Another factor was the reversal of the provision for the SAPE dispute in the amount of €80 million.

The **operating loss** for 2016 of €241 million is an improvement of €228 million compared with the previous year, including the decrease of €47 million in depreciation, amortization and impairment related essentially to the different contribution of value adjustments to upstream gas exploration assets (€55 million in 2016 compared with €122 million in 2015) following a number of difficulties in executing the projects and changes in price conditions in the global fuel market.

Capital expenditure

Capital expenditure for 2016 totaled €52 million.

Performance and financial position of Enel SpA

Performance

The following table summarizes the performance of Enel SpA in 2016 and 2015.

Millions of euro

	2016	2015	Change
Revenue			
Revenue from services	197	237	(40)
Other revenue and income	10	8	2
Total	207	245	(38)
Costs			
Consumables	1	1	-
Services, leases and rentals	152	199	(47)
Personnel	166	176	(10)
Other operating expenses	17	24	(7)
Total	336	400	(64)
Gross operating margin	(129)	(155)	26
Depreciation, amortization and impairment losses	448	327	121
Operating income	(577)	(482)	(95)
Net financial income/(expense) and income from equity investments			
Income from equity investments	2,882	2,024	858
Financial income	3,343	3,535	(192)
Financial expense	4,106	4,267	(161)
Total	2,119	1,292	827
Income before taxes	1,542	810	732
Income taxes	(178)	(201)	23
NET INCOME FOR THE YEAR	1,720	1,011	709

Revenue from services amounted to €197 million (€237 million in 2015) and essentially regards services provided to subsidiaries as part of Enel SpA's management and coordination functions and the rebilling of costs incurred by Enel SpA but pertaining to the subsidiaries.

The overall decrease of €40 million is attributable to the combined impact of a decline in pass-through rebilling of costs connected with communication activities as a result of the new organizational structure adopted by the Group, which involved the shifting of part of communication activities from the Parent Company to the Countries, only partly offset by an increase in revenue from management fees and technical fees in respect of a number of the Group's foreign companies.

Other revenue and income amounted to €10 million, up €2 million compared with the previous year. In both years, the item is essentially composed of the rebilling of costs for the personnel of Enel SpA seconded to other Group companies.

Costs for **consumables** amounted to €1 million in 2016, unchanged on the previous year. They are accounted for by purchases of consumables from third-party suppliers.

Costs for **services, leases and rentals** amounted to €152 million in 2016 (€199 million in 2015), of which charges from third parties in the amount of €75 million and from Group companies in the amount of €77 million. The former mainly regarded communication expenses, technical and profes-

sional services as well as strategic, management and corporate organization consulting and IT services. Those in respect of services provided by Group companies regard IT and administrative services and purchasing, as well as rentals and personnel training received from Enel Italia Srl, and costs for the personnel of a number of Group companies seconded to Enel SpA.

The decrease compared with 2015 amounted to €47 million and is essentially attributable to the decline in expenses for advertising, promotional activities and printing as well as to the decrease in event organization costs as a result of the Group's new organizational structure, which involved the shifting of part of communication activities from the Parent Company to the Countries.

Personnel costs totaled €166 million in 2016, a decrease of €10 million compared with the previous year. The change is mainly attributable to the decline in costs connected with lack of participation, compared with 2015, in the new agreements for the early retirement of personnel (€36 million). The improvement was partly offset by the reversal of the provision for electricity discounts (€10 million) following the unilateral revocation of the benefit for former employees, and the overall increase of €16 million in wages and salaries and associated social contributions associated entirely with the expansion of the workforce.

Other operating expenses amounted to €17 million in 2016, down €7 million compared with 2015, mainly as a result of the decline in association dues paid during the year and of the updating of estimates for the provision for litigation in respect of positions that arose in previous years, which are made on the basis of information provided by internal and external legal counsel.

The **gross operating margin** was a negative €129 million, an improvement of €26 million compared with the previous year, mainly attributable to the reduction in operating expenses, especially costs for services and personnel, partly offset by the decline in revenue from services provided to Group companies.

Depreciation, amortization and impairment losses amounted to €448 million in 2016, essentially reflecting the writedown of the interest in Enel Produzione SpA (€474 million) and the writeback of the interest in Enel Trade SpA (€42 million), an increase of €121 million on 2015. The change is essentially attributable to the change in the value of impair-

ment losses, which in 2015 had involved the investments in Enel Trade SpA (€250 million) and Enel Ingegneria e Ricerca SpA (€65 million).

The **operating result** showed a loss of €577 million, a deterioration of €95 million compared with 2015.

Income from equity investments amounted to €2,882 million (€2,024 million in 2015). The item regards dividends approved in 2016 by subsidiaries and associates in the amount of €2,876 million and by other companies in the amount of €6 million and shows an increase of €858 million on the previous year.

Net financial expense amounted to €763 million and essentially reflects interest expense on financial debt (€926 million), partly offset by interest and other income on current and non-current financial assets (totaling €150 million).

The increase in net financial expense on the previous year, equal to €31 million, was essentially the result of the net negative change in transactions in financial derivatives (€674 million), partly offset by the net positive change in exchange differences (€628 million).

Income taxes showed a tax receivable of €178 million, mainly due to the reduction in taxable income for IRES purposes compared with statutory taxable income as a result of the exclusion of 95% of dividends received from subsidiaries and 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 Income Tax Code). Compared with 2015 (a tax receivable of €201 million), the decrease of €23 million is essentially attributable to non-recurring items.

Net income for the year totaled €1,720 million, compared with €1,011 million the previous year.

Analysis of the financial position

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Net non-current assets:			
- property, plant and equipment and intangible assets	27	21	6
- equity investments	42,793	38,984	3,809
- net other non-current assets/(liabilities)	(440)	71	(511)
Total	42,380	39,076	3,304
Net current assets:			
- trade receivables	255	283	(28)
- net other current assets/(liabilities)	(1,500)	(627)	(873)
- trade payables	(150)	(164)	14
Total	(1,395)	(508)	(887)
Gross capital employed	40,985	38,568	2,417
Provisions:			
- severance and other employee benefits	(286)	(291)	5
- provisions for risks and charges and net deferred taxes	56	28	28
Total	(230)	(263)	33
Net capital employed	40,755	38,305	2,450
Shareholders' equity	26,916	24,880	2,036
NET FINANCIAL DEBT	13,839	13,425	414

Net non-current assets amounted to €42,380 million, an increase of €3,304 million. This is mainly attributable to:

- > an increase of €3,809 million in investments in subsidiaries and joint ventures, reflecting the following transactions: the non-proportional partial spin-off of Enel Green Power SpA to Enel SpA, the demerger from Enel Green Power International BV of assets and liabilities to Enel Finance International NV, the cross-border merger of Enel Green Power International BV into Enel Green Power SpA, the recapitalization of and subsequent capital contribution to OpEn Fiber SpA, which at December 31, 2016 was jointly controlled by Enel SpA and CDP Equity SpA. Another factor was the value adjustment of the investments held in Enel Produzione SpA and Enel Trade SpA;
- > a change of €511 million in "net other non-current assets/(liabilities)", which at December 31, 2016 showed a net liability of €440 million (net other non-current assets of €71 million at December 31, 2015). The shift is essentially attributable to the increase in the value of non-current derivative liabilities (€366 million) and the decrease in the value of non-current derivative assets (€121 million).

Net current assets came to a negative €1,395 million, an increase of €887 million on December 31, 2015. The change is attributable to:

- > an increase of €873 million in "net other current liabilities", mainly reflecting the liability to shareholders for the interim dividend on 2016 earnings approved by the Board of Directors on November 10, 2016 and to be paid as from January 25, 2017 (€915 million);
- > a decrease of €28 million in trade receivables, mainly in respect of Group companies for management and coordination services from Enel SpA;
- > a decrease of €14 million in trade payables.

Net capital employed at December 31, 2016, came to €40,755 million, funded by shareholders' equity of €26,916 million and net financial debt of €13,839 million.

Shareholders' equity came to €26,916 million at December 31, 2016, an increase of €2,036 million on the previous year. More specifically, the change is attributable to the non-proportional partial spin-off of Enel Green Power SpA to Enel SpA, which increased share capital and the share premium

reserves (by €764 million and €2,204 million respectively), the distribution of the dividend for 2015 (totaling €1,627 million) and the interim dividend for 2016 (€915 million), as well as the recognition of net income for 2016 (€1,610 million).

Net financial debt amounted to €13,839 million at the end of 2016, with a debt/equity ratio of 51.4% (53.9% at the end of 2015).

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, 2016	at Dec. 31, 2015	Change
Long-term debt:			
- bank borrowings	50	-	50
- bonds	12,414	14,503	(2,089)
- debt assumed and loans from subsidiaries	1,200	-	1,200
<i>Long-term debt</i>	<i>13,664</i>	<i>14,503</i>	<i>(839)</i>
- financial receivables from others	(5)	(5)	-
- debt assumed and loans to subsidiaries	(27)	(72)	45
Net long-term debt	13,632	14,426	(794)
Short-term debt/(liquidity):			
- short-term portion of long-term borrowings	973	3,062	(2,089)
- short-term bank borrowings	810	2	808
- cash collateral received	1,107	1,669	(562)
<i>Short-term debt</i>	<i>2,890</i>	<i>4,733</i>	<i>(1,843)</i>
- short-term portion of long-term financial receivables	(1)	-	(1)
- short-term portion of loans assumed/granted	(45)	(46)	1
- other short-term financial receivables	(6)	(8)	2
- cash collateral paid	(1,012)	(86)	(926)
- net short-term financial position with Group companies	1,419	331	1,088
- cash and cash equivalents and short-term securities	(3,038)	(5,925)	2,887
Net short-term debt/(liquidity)	207	(1,001)	1,208
NET FINANCIAL DEBT	13,839	13,425	414

Net financial debt at December 31, 2016 amounted to €13,839 million, an increase of €414 million, the result of a deterioration in the net short-term position (€1,208 million), partly offset by a decrease in net long-term financial debt (€794 million).

The main transactions in 2016 impacting debt can be summarized as follows:

- > the repayment of €3,000 million in respect of two bonds, of which €2,000 million at fixed rate and €1,000 million at floating rate, issued in 2010 as part of a pan-European bond issue for retail investors, which matured on February 26, 2016;
- > a non-binding voluntary offering issued on January 14, 2016 and completed on January 20, 2016, involving the repurchase for cash of bonds issued by Enel in the amount of €750 million, with a view to optimizing the Company's liability structure through the active management of maturities and the cost of funds;

- > the repayment of €64 million in respect of four tranches of INA and ANIA bonds;
- > the assignment of €1,200 million, as part of the non-proportional partial spin-off of Enel Green Power SpA to Enel SpA, in respect of a long-term fixed-rate borrowing, initially to the subsidiary Enel Green Power International BV and, subsequently to the demerger from Enel Green Power International BV, of assets and liabilities to Enel Finance International NV in respect of the latter;
- > the agreement of a loan with UniCredit SpA in the maximum amount of €500 million, accessible in three tranches until March 15, 2017, falling due on July 15, 2020 and drawn in the amount of €50 million at December 31, 2016.

Cash and cash equivalents amounted to €3,038 million, a decrease on December 31, 2015 of €2,887 million, mainly attributable to the above bond repayments and repurchases and normal central treasury functions performed by Enel SpA.

Cash flows

Millions of euro

	2016	2015	Change
Cash and cash equivalents at the start of the period	5,925	6,972	(1,047)
Cash flows from operating activities	2,511	1,062	1,449
Cash flows from investing/disinvesting activities	(409)	(560)	151
Cash flows from financing activities	(4,989)	(1,549)	(3,440)
Cash and cash equivalents at the end of the period	3,038	5,925	(2,887)

Cash flows from financing activities came to a negative €4,989 million (€1,549 million in 2015). They were largely generated both by the repayment of bonds and the repurchase of own bonds in the amount of €3,848 million, and by payment of dividends for 2015 totaling €1,627 million.

Cash flows from investing activities were a negative €409 million (a negative €560 million in 2015). They include €360 million in respect of the recapitalization, capital contributions and capitalization of transaction costs for the investment held in OpEn Fiber SpA, as well as the acquisition by Enel SpA of the rights of withdrawal and rights of sale

granted to the shareholders of Enel Green Power SpA that did not approve the non-proportional partial demerger of Enel Green Power SpA to Enel SpA (€26 million).

In 2016, the cash requirements generated by financing and investing activities were funded by liquidity generated by operating activities (a positive €2,511 million, compared with €1,062 million in 2015), essentially reflecting dividends received from subsidiaries (€2,882 million) and the use of cash and cash equivalents, which at December 31, 2016 consequently amounted to €3,038 million (€5,925 million at the start of the year).

Significant events in 2016

11
January

Integration with Enel Green Power and reorganization of the Renewable Energy business line

On January 11, 2016, the Extraordinary Shareholders' Meeting of Enel SpA ("Enel") approved the partial non-proportional demerger of Enel Green Power SpA ("EGP") into Enel (the "Demerger") shortly after the operation had been approved by the Extraordinary Shareholders' Meeting of EGP. More specifically, the Extraordinary Shareholders' Meeting of Enel approved, without amendment or addition, the demerger project, which envisages:

- > the assignment by EGP to Enel of the demerged assets, essentially represented by: (i) the 100% stake held by EGP in Enel Green Power International, a Dutch holding company that holds investments in companies operating in the renewable energy sector in North, Central and South America, Europe, South Africa and India; and (ii) the assets, liabilities, contracts and other legal relationships associated with those investments; and
- > the retention by EGP of all remaining assets and liabilities other than those that are part of the demerged assets (and thus, essentially, all Italian operations and a small number of remaining foreign investments).

Since the transaction involved a non-proportional demerger,

it envisaged that:

- > shareholders of EGP other than Enel may exchange all the shares they hold in EGP with Enel shares; and
- > Enel will exchange the shares corresponding to its stake in the demerged assets with Enel shares, which will be immediately cancelled in accordance with Article 2504-ter, paragraph 2, and Article 2506-ter, paragraph 5, of the Italian Civil Code.

The demerger instrument was executed on March 25, 2016, taking effect at the final moment of March 31, 2016.

The shareholders of EGP that did not approve the Demerger were entitled to exercise the right of withdrawal pursuant to Article 2437, paragraph 1, letter a) of the Italian Civil Code (the "Right of Withdrawal"), or the right to have their EGP shares purchased by Enel pursuant to Article 2506-bis, paragraph 4, of the Italian Civil Code (the "Right of Sale"). The Right of Withdrawal and the Right of Sale can be exercised at the unit settlement value for EGP shares, determined in accordance with Article 2437-ter, paragraph 3, of the Italian Civil Code, which is equal to €1.780 per EGP share. At the end of the offer period, those rights had been validly exercised for 16,428,393 ordinary shares of EGP (equal to about 0.33% of EGP share capital) for an aggregate amount of about €29.2 million (of which 14,951,772 shares were acquired by Enel for €26.6 million). The total value of the shares involved is therefore below the threshold of €300 million, set

as a condition for the completion of the Demerger.

Upon completion of the Demerger, all the 1,570,621,711 EGP ordinary shares held by EGP shareholders other than Enel were cancelled and exchanged with newly issued Enel ordinary shares, on the basis of the exchange ratio of 0.486 Enel shares for each EGP share in exchange, with no cash adjustments. A total of 1,005,717,849 Enel ordinary shares were allotted to Enel – with simultaneous cancellation of the shares, pursuant to the prohibition provided for under Article 2504-ter, paragraph 2, of the Italian Civil Code, as cited in Article 2506-ter, paragraph 5, of the Italian Civil Code – in exchange for the cancellation, at the time of exchange, of a total of 2,069,378,289 EGP ordinary shares held by Enel associated with the demerged assets. Therefore, following the issuance of 763,322,151 new Enel ordinary shares to be allotted to EGP shareholders other than Enel, the share capital of Enel was increased by a total nominal amount of €763,322,151 and is therefore equal to €10,166,679,946, fully subscribed and paid-up, represented by 10,166,679,946 ordinary shares with a par value of €1.00 each.

EGP shares were traded on the Italian market until the market close of March 31, 2016, and on the Spanish markets until market close of March 30, 2016, while trading in the newly issued Enel shares began on the Italian market on April 1, 2016.

In the subsequent months, in order to reorganize the renewable energy business line in a manner consistent with the entire Group, the following corporate transactions were completed:

- > the demerger, with effect from October 25, 2016, of part of Enel Green Power International's (EGPI) financial business to Enel Finance International: as a result of the spin-off, EGPI mainly retained interests in foreign companies operating in the renewable energy sector;
- > the cross-border merger, with effect from October 26, 2016, of EGPI into Enel Green Power.

The implementation of these operations permits the integrated management of the renewable energy business through: (i) the rationalization of the corporate structure, which makes it possible to focus most of the renewables business under a single company entirely owned by Enel, namely EGP; (ii) in accordance with the variety of local laws and regulations, the simplification of governance at both the Enel Group level and the Global Renewable Energy level, with a single decision-making process concentrated with EGP, which can respond to developments in that business; and (iii) consequent strategic, management and operational-

technical control by a single company within the renewables sector.

14

January

Bond buy-back

On January 14, 2016, within the framework of its program to optimize its liability structure through active management of maturities and the cost of funding, Enel launched a non-binding voluntary offer to repurchase in cash up to a nominal €500 million of two series of bonds previously issued by Enel itself. At the end of the offer period (January 20, 2016) Enel decided to exercise the option envisaged in the offer documentation to increase the original nominal amount involved in the buy-back and so decided to purchase:

- > a nominal €591,088,000 of bonds maturing on June 20, 2017, following the application of the allotment ratio of 92.5715%;
- > a nominal €158,919,000 of bonds maturing on June 12, 2018, following the application of the allotment ratio of 100%.

The settlement date of the offer was January 25, 2016.

20

January

Framework agreement with Bank of China and SINOSURE

On January 20, 2016, Enel, Bank of China (a leader in the Chinese banking sector as well as the most internationalized and diversified bank in China), and the China Export & Credit Insurance Corporation ("SINOSURE") signed a non-binding framework agreement to promote the development by Enel Group companies, in particular Enel Green Power, of projects on a worldwide basis with the participation of Chinese companies acting as engineering, procurement and construction contractors and/or suppliers. Under the agreement, Bank of China will provide Enel and its subsidiaries with a credit line of up to \$1 billion backed by SINOSURE. The framework agreement, which provides the main terms and conditions of the facilities that can be granted, will remain in force for a period of five years, with the possibility of extension if mutually agreed by the parties.

26
January

Enel's new corporate identity

On January 26, 2016, the Group's new corporate identity was unveiled at the headquarters of the Endesa subsidiary in Madrid. On the same occasion, the new logos of Enel Green Power and Endesa were also revealed within the context of the new identity.

The new identity represents the pursuit of the "Open Power" strategy announced last November in London on the occasion of Enel's Capital Markets Day. It is founded on openness as the keystone of the strategic and operational approach of the Group. More specifically, "Open Power" seeks to:

- > open access to electricity for more people;
- > open the world of energy to new technology;
- > open energy management to individuals;
- > open power to new uses;
- > open up to new partnerships.

The new brand strategy transmits the image of Enel as a modern, open, flexible, responsive utility capable of leading the energy transition. The Group has introduced a colorful new visual system – which includes the logos – that reflects the flexible and dynamic principles of "Open Power". The new visual identity and the new logo are composed of a rich palette of color to reflect the variety of the energy spectrum, the multifaceted nature of a Group present in more than 30 countries and the growing diversification of the services we offer in a global energy system.

The brand renewal also included the unveiling of the new website Enel.com, a site focused on users and access via mobile applications. During 2016, the updating of the Group's entire online presence was completed.

10
February

Start-up program in Israel

On February 10, 2016, Enel announced the launch of a technological support program for start-ups in Israel, a country with such a high concentration of innovative tech companies that it boasts its own version of Silicon Valley, called Silicon Wadi. As part of the program, Enel will create a company to support start-ups, acting as a business incubator headquartered in Tel Aviv. It is scheduled to open its doors in May.

Each year, up to eight start-ups will be selected from among key local companies, which will be able to benefit from a customized support program in collaboration with Enel.

One of the program's objectives – in addition to developing individual start-ups – is to establish a presence in Israel's innovation ecosystem, one of the most advanced in the world, leveraging venture capital funds, universities and a collaboration with the Office of the "Chief Scientist" of Israel's Ministry of the Economy.

The support company will select the start-ups using public tenders for projects based on Enel's broad range of technological priorities. Once selected, the start-ups will have access to Enel engineers and technology experts, who will help them develop their business and their technology, using company facilities for testing and leveraging the Group's commercial and technological experience. Each project will receive support for at least six months.

On July 11, 2016, Enel launched its Innovation Hub in Tel Aviv, Israel. Enel opted to collaborate with SOSA & The Junction, one of the most successful innovation communities in that country. The idea is to create a single hub to offer solutions to Israeli start-ups ready to develop and roll out advanced products and services with economic and social repercussions. Enel Innovation Hub will engage in scouting every year to identify up to 20 high-potential Israeli start-ups, offering them a dedicated support program.

17
February

Memorandum of understanding between architects and Enel Energia

On February 17, 2016, Enel Energia signed a memorandum of understanding with the National Council of Architects, Planners, Landscape Architects and Conservators. The memorandum is intended to promote the energy upgrading of buildings and the architectural quality of the solutions. It also seeks to foster joint policies and actions and propose legislation to raise the quality of the installation of efficient technologies, ensure environmental benefits and dignity and, at the same time, generate savings for the public. The memorandum sets out a collaborative program to encourage and develop approaches to integration and cooperation. Enel Energia will provide Italian architects with permanent ongoing training initiatives – compliant with the rules governing life-long training of the National Council of Architects – in order to keep them up to date on innovation in efficient residential technologies, their characteristics, benefits and key

installation and permitting issues. The underlying principle of the agreement is that training and research are priority strategic factors for growth and progress, and so it is necessary to invest in the sector in a manner adequate to the needs of the society and economy of local communities.

18

February

Enel Green Power wins renewables tender in Peru

On February 18, 2016, Enel Green Power ("EGP"), acting through its subsidiary Enel Green Power Peru, was awarded the right to sign 20-year energy supply contracts for 126 MW of wind power, 180 MW of solar PV and 20 MW of hydro capacity following the renewable tender launched by the Peruvian government through the energy regulator OSINERGMIN. With 326 MW awarded in the tender, EGP will become by 2018 the main renewable player in Peru and the only company operating plants of three different renewable technologies in the country.

EGP will be investing about \$400 million in the construction of the renewables facilities, which are expected to enter into operation by 2018, in line with the investments outlined in the company's current strategic plan. The 20-year supply contracts awarded to EGP provide for the sale of specified volumes of energy generated by the plants. Nazca wind project, with a total installed capacity of 126 MW, will be built in the Marcona district, which is located in Peru's southern coastal area, an area blessed by high level of wind resources. This project, once up and running, will generate about 600 GWh per year, while avoiding the emission of around 370,000 metric tons of CO₂ into the atmosphere. The 180 MW Rubi photovoltaic project will be built in the Moquegua district, which is located in Peru's southern area, an area which enjoys high levels of solar radiation. Once up and running, the solar facility will generate approximately 440 GWh per year, avoiding the emission of around 270,000 metric tons of CO₂ into the atmosphere. The Ayanunga hydro project, whose capacity amounts to an approximate 20 MW, will be built in the Monzón district, which is located in Peru's central area. Once up and running, the hydro plant will generate annually about 140 GWh, while avoiding the emission of around 109,000 metric tons of CO₂ into the atmosphere.

29

February

Disposal of Hydro Dolomiti Enel

On February 29, 2016, the sale by the subsidiary Enel Produzione of its entire 49% stake in Hydro Dolomiti Enel Srl ("HDE") to Fedaia Holdings, a Luxembourg-based subsidiary of Macquarie European Infrastructure Fund 4 ("MEIF4"), was completed. The price for the sale was finalized at €335.4 million, in line with the agreement signed on November 13, 2015 between Enel Produzione and Fedaia Holdings. Enel Produzione's stake in HDE was sold to the Italian company Fedaia Investments Srl, which was designated as the purchaser by Fedaia Holdings and is also controlled by MEIF4. The completion of the transaction follows clearance from the EU antitrust authority, which was the final outstanding condition precedent provided for in the sale agreement.

10

March

Enel Green Power wins preferred bidder status in Morocco

On March 10, 2016, Enel Green Power ("EGP"), in consortium with the Moroccan energy company Nareva Holding ("Nareva") and the German wind turbine manufacturer Siemens Wind Power, was awarded preferred bidder status in the "2nd phase of the wind integrated project" tender held by the Moroccan utility ONEE (*Office National de l'Electricité et de l'Eau Potable*). The consortium was therefore pre-awarded the right to develop, design, finance, build, operate and maintain five wind projects in Morocco with a total capacity of 850 MW. The award will be confirmed following the signing of the purchase agreements for the electricity generated by the plants. Of the five projects, Midelt (150 MW), Tanger (100 MW) and Jbel Lahdid (200 MW) are located in northern Morocco, while Tiskrad (300 MW) and Boujdour (100 MW) are located in the country's south.

EGP and Nareva will establish and own five companies holding the projects, while Siemens Wind Power will provide the wind turbines, with several components manufactured locally.

The construction of the five plants will require a total investment of approximately €1 billion. EGP will fund the cost of the project corresponding to its 50% shareholding by a mix of equity and debt, the latter through project finance facilities provided by international financial institutions. The

wind farms are expected to be completed and enter operation between 2017 and 2020. In line with the tender rules, the power generated by the five wind farms will be sold to ONEE under 20-year power purchase agreements.

23
March

Operation OpEn Fiber and subsequent acquisition of Metroweb

On March 23, 2016, the Board of Directors of Enel examined and discussed the strategic plan of Enel OpEn Fiber SpA ("EOF"), the company established by Enel in December 2015 to build and operate ultra-broadband optical fiber infrastructure across Italy.

EOF will operate as a wholesale-only player (i.e. only on the wholesale market) and will build infrastructure for use by other licensed operators.

The EOF plan, in line with the European Digital Agenda and the Italian strategy for ultra-broadband, provides for EOF to build in through several steps to be released in sequence the optical fiber telecommunications network in 224 Italian municipalities, in successful market areas (known as clusters A and B). This network will be built entirely of optical fiber brought right up to the customer's home, in FTTH mode (Fiber to the Home).

In the early years of the plan, very high speed connections are expected to reach some 7.5 million homes, helping Italy to bridge its digital divide.

The plan through these phases provides for investment of about €2.5 billion to be gradually approved, with the support of other investors, and aimed at the development of the network.

Enel's Board of Directors also discussed a letter of intent between EOF, Vodafone and Wind, which seeks, in a series of steps, to define a strategic and commercial partnership for the development of the ultra-broadband telecommunications network across Italy.

On October 10, 2016, binding agreements were signed relating to the transaction for the integration of Enel's subsidiary EOF and the group held by Metroweb Italia SpA ("Metroweb").

The transaction provides for the following stages:

- > a capital contribution to EOF by Enel and CDP Equity SpA ("CDPE"), providing EOF with the necessary resources for the acquisition of Metroweb's total share capital. As a result of this capital contribution, Enel and CDPE will have equal stakes in EOF;

- > the acquisition by EOF of all of Metroweb share capital, currently held by F2i SGR SpA ("F2i") and FSI Investimenti SpA, for about €714 million;
- > the merger of Metroweb and its wholly-owned subsidiaries into Metroweb SpA;
- > the subsequent merger of Metroweb SpA into EOF.

In addition, Enel and CDPE granted an option to F2i to reinvest in the surviving company through the acquisition from Enel and CDPE of a stake of up to 30% of that company's share capital. The exercise price of the option will be based on the amount paid by EOF for the purchase of Metroweb. As structured with the transaction, EOF will be jointly controlled by Enel and CDPE (even if F2i reinvests in the company) and will therefore be accounted for by Enel using the equity method.

The implementation of the transaction will enable EOF:

- > to accelerate the development of the network construction project;
- > to broaden the scope of the cabling operation, developing a commercial offering that includes the most important Italian cities and, therefore, is of interest to all alternative operators that appreciate a project being implemented on a national scale (note that the Metroweb group has cabled Milan and is laying cable in Bologna and Turin);
- > to exploit the industrial skills and know-how developed by the Metroweb group;
- > to improve the financial profile of the project and, accordingly, its financing opportunities.

On December 20, 2016 OpEn Fiber ("OF"), the new name of EOF, completed the acquisition of all of Metroweb for about €714 million.

3
May

Acquisition of 40% of a number of wind farms in Calabria

On May 3, 2016, Enel Green Power, which already owned 60% of Maicor Wind, acquired the remaining 40% of the company from PLT Energia, thus becoming the sole shareholder of a company that owns two wind farms in Calabria with a total installed capacity of 64 MW. The two plants, which have been in operation since 2011, are located in the municipalities of Maida, Cortale (56 MW) and San Floro (8 MW) in the province of Catanzaro.

14
June

Enel enters Zambia with the award of 34 MW of photovoltaic capacity in a public tender

On June 14, 2016, Enel, acting through Enel Green Power, was awarded the right to develop, finance, build and operate a 34 MW PV solar project in Zambia following the Scaling Solar program first round tender launched by the state-owned investment holding company Industrial Development Corporation Limited (IDC). Mosi-oa-Tunya, which is located in Lusaka South Multi-Facility Economic Zone in southern Zambia, marks the entry of Enel in the country's renewables market.

Enel will be investing about \$40 million in the construction of the new PV plant. The project will be supported by a 25-year power purchase agreement (PPA) for the sale of all the electricity generated by the plant to the state-owned utility ZESCO. The project, which will be owned by a special purpose vehicle in which IDC will maintain a 20% minority stake in line with the tender rules, is expected to enter into operation in the 2nd Quarter of 2017 and will generate around 70 GWh per year.

17
June

Enel and DCNS inaugurate marine energy research and innovation center in Chile

On June 17, 2016, Enel, acting through its subsidiary Enel Green Power Chile, and the French industrial group DCNS, inaugurated the Marine Energy Research and Innovation Center (MERIC) in the presence of Chile's Energy Minister. MERIC is a groundbreaking global center of marine energy R&D excellence in Chile supported by the Chilean Government's economic development organization CORFO (*Corporación de Fomento de la Producción*).

The inauguration marked the start of MERIC's first line of work, which will focus on the analysis of bio-fouling and environmental impact of marine energy. The research activity will be carried out at the marine research laboratory of *Pontificia Universidad Católica de Chile ECIM (Estación Costera de Investigaciones Marinas)* located in Las Cruces, in Valparaíso region.

27
June

Enel presents Enel Open Meter, the new electronic meter

On June 27, 2016, Enel presented the Enel Open Meter at the *Triennale di Milano*. The second generation (2.0) smart meter is one of the key elements of Enel's "Open Power" strategy, a process of renewal towards a concept of power that is open, accessible, technologically advanced and sustainable.

Starting next autumn, the new meter will be installed in 32 million homes and businesses, and will replace the first generation electronic meter, which in turn took the place of the old electromechanical device starting in 2001.

The second generation meter is the result of a process that reflects recent developments in the market and technology in the field of metering and remote management. Enel Open Meter complies with the specifications for new meters set out in Resolution 87/2016 of the Authority for Electricity, Gas and the Water System, which also established a set of performance indicators.

The innovative features of the new smart meter include faster changes of supply, the elimination of fixed time bands and the availability of data on electricity use for greater savings. The measurement of customer data every 15 minutes, for example, provides a much more timely picture of daily power use and the consumption behavior of customers, who are increasingly aware of how they use electricity and alert to opportunities for achieving greater energy efficiency.

28
June

Enel and China's BYD join forces on e-buses and energy storage

On June 28, 2016, Enel signed a global framework cooperation agreement with the Chinese corporation BYD, a leading electric vehicle and lithium battery manufacturer, for the worldwide development of joint projects in electric mobility and energy storage.

The agreement, signed in the Chinese city of Shenzhen, will pave the way for possible cooperation projects targeting electric buses and other transport services, as well as residential, commercial and industrial applications based on BYD's lithium batteries.

Regarding electric mobility, Enel and BYD have agreed to leverage on the technological solutions developed by both

companies in vehicle charging and electric mobility, as well as to explore integrated solutions and synergies for a possible joint offer to any interested municipalities in the areas where Enel or BYD are present. Furthermore, Enel and BYD will jointly explore financing opportunities in order to sell turnkey solutions composed of BYD electric buses and Enel's charging infrastructure stations and electricity supply. In the energy storage field, Enel and BYD have agreed to evaluate business opportunities in markets of interest, using BYD technology and solutions for applications for residential, commercial and industrial purposes.

13

July

Disposal of Enel Longanesi Developments

On July 13, 2016, Enel completed the sale of all its Italian assets (comprising 21 onshore and offshore permit applications and exploration permits) in the upstream gas sector held through its wholly-owned subsidiary Enel Longanesi Developments to AleAnna Europa Srl, a subsidiary of the US company AleAnna Resources, which operates in the exploration and production of hydrocarbons. The maximum consideration for the sale is €30 million, of which a portion (about €7 million) was paid immediately, while the remainder can be paid, depending on gas prices, in a number of instalments once the Longanesi gas field in Emilia Romagna enters production, which is expected to occur in 2018.

14

July

EGP wins tender for renewables in Indonesia

On July 14, 2016, Enel Green Power ("EGP"), in consortium with the Indonesian geothermal developer PT Optima Nusantara Energi ("PT ONE"), was awarded the right to explore geothermal resources and develop the 55 MW Way Ratai project in the Way Ratai area, in Indonesia's Lampung province. The project, awarded in the tender launched by the Indonesian Ministry of Energy and Mineral Resources in December last year, will be the first to be developed by Enel in the country, marking the company's entry into Indonesia's renewables market. Enel will be investing up to \$30 million in the exploration phase of the project, as provided for in the investment program set out in the Group's current Strategic Plan. Construction of the geothermal power plant,

which depends on the results of the exploration phase, is expected to be completed and enter operation in 2022. EGP and PT ONE will jointly establish a special purpose vehicle (SPV) for the project, with EGP having the majority stake in the SPV. In line with the tender rules, the power produced by the geothermal plant, which is expected to generate around 430 GWh per year, will be sold to the national utility PLN under a 30-year power purchase agreement.

from 19
July

Broadband agreement in a number of Italian cities

In the 2nd Half of 2016, Enel OpEn Fiber ("EOF") reached a number of agreements with the first Italian cities interested in laying optical fiber. More specifically:

- > on July 19, 2016, the City of Catania and EOF signed an agreement on a plan providing for work to begin in September 2016, with a coverage of 50% of building units by June 2017 and 80% by the end of September 2018, for a total of 115,000 wired units, 200 km of underground cabling and 360 km of overhead cabling;
- > on August 16, 2016, the City of Venice and EOF signed an initial agreement that will allow the laying of fiber optic cabling across the entire city. EOF's plan for Venice provides for works to begin in September 2016, with coverage of 50% of building units by September 2017 and 80% by mid-2018, for a total of about 120,000 wired units, about 600 km of underground cabling and about 500 km of overhead cabling;
- > on October 12, 2016, the City of Padua and EOF signed a similar agreement on a plan providing for coverage of 50% of building units by June 2017 and 80% by May 2018, for a total of about 116,000 wired units, about 560 km of underground cabling and about 210 km of overhead cabling;
- > on October 24, 2016, the City of Cagliari and EOF signed an agreement on a plan providing for coverage of 50% of building units by July 2017 and 80% by March 2018, for a total of about 66,000 wired units, about 440 km of underground cabling and about 60 km of overhead cabling;
- > on November 15, 2016, the City of Bari and EOF signed a similar agreement on a plan providing for coverage of 50% of building units by September 2017 and 80% by September 2018, for a total of about 120,000 wired units and about 600 km of cabling, of which 400 km of underground cabling.

The fiber optic cabling will be brought to customers' homes using a Fiber to the Home (FTTH) approach, which will be capable of supporting download and upload speeds of 1 Gbps. The cable laying operations will count on the support of the cities involved to ensure the rapid completion of the works.

27
July

Enel Green Power International sells Enel Green Power España to Endesa Generación

On July 27, 2016, Enel Green Power International ("EGPI"), a wholly-owned subsidiary of Enel, and Endesa Generación, a wholly-owned subsidiary of Endesa, executed an agreement for EGPI to sell 60% of Enel Green Power España ("EGPE") to Endesa Generación, which already holds the remaining 40% of EGPE and will therefore control 100% of the share capital of the company following the transaction. The price paid by Endesa Generación for the stake was €1,207 million.

In determining the price for the operation, the boards of directors of EGPI and Endesa adopted valuation techniques commonly used at the international level and drew on the expertise of prominent financial advisors, who issued a fairness opinion on the transaction. In compliance with the applicable Spanish regulations, the board of directors of Endesa approved the transaction subject to a favorable opinion of the *Comité de Auditoría y Cumplimiento*, with only independent directors participating in the vote.

28
July

Disposal of 50% of Slovenské elektrárne to EPH

On July 28, 2016, Enel Produzione closed the disposal to EP Slovakia, a subsidiary of Energetický a průmyslový holding ("EPH"), of 50% of Slovak Power Holding ("SPH"), which in turn holds 66% of Slovenské elektrárne.

The disposal was carried out in execution of the contract signed on December 18, 2015, between Enel Produzione and EP Slovakia. It represents the first phase of the sale of the Group's entire stake held by Enel Produzione in Slovenské elektrárne, as provided for in that contract. More specifically, the disposal was carried out following the transfer to SPH of the entire 66% interest previously held directly by Enel Produzione in Slovenské elektrárne and the receipt of clearance for the transaction from the antitrust authorities of the European Union.

The price was set at €375 million, of which €150 million paid in conjunction with the sale and €225 million to be paid following the closing of the second phase of the operation. The consideration could vary subject to the application of an adjustment mechanism.

29
August

Nissan, Enel and Nuvve launch world's first fully commercial V2G hub in Denmark

On August 29, 2016, the world's first fully commercial vehicle-to-grid (V2G) hub was inaugurated in Denmark thanks to the collaboration between global automotive manufacturer Nissan, multinational energy company and smart grid technologies pioneer Enel, and California-based company Nuvve, a leading V2G services provider. Enel has installed 10 V2G units at the headquarters of the Danish utility Frederiksberg Forsyning, which also purchased 10 Nissan e-NV200 zero-emissions vans. The V2G hub will help stabilize Denmark's national power grid, offering electricity storage capacity to the grid operator Energinet.dk. Using V2G technology, electric vehicles can play an integral part in power management system, helping to improve grid stability and further promoting the integration of renewables in the generation mix, a key objective of Enel's global energy strategy.

9
September

Enel confirmed in Dow Jones Sustainability World Index

On September 9, 2016, for the 13th year in a row, the Enel Group was again admitted to the Dow Jones Sustainability World Index (DJSI World). The Group's Spanish subsidiary Endesa was also included. Enel and Endesa are two of the nine utility companies admitted to the index at the global level. Out of 316 companies admitted to the index, Enel is one of six based in Italy.

13
September

Public tender for float of Endesa Américas and corporate reorganization in Latin America

On September 13, 2016, after the approval of the board of directors of Enersis Américas, which met the day before, a voluntary public tender offer was launched for the shares

of the subsidiary Endesa Américas. More specifically, the public tender offer regarded all of the shares and American Depositary Shares of Endesa Américas not held by Enersis Américas, which represent about 40.02% of the share capital of Endesa Américas. The price offered per share amounted to 300 Chilean pesos, for a total maximum outlay of about 984.7 billion Chilean pesos. The offer period ran from September 14 to October 28, 2016.

The voluntary public tender offer, which was first announced in November 2015 as part of the corporate restructuring of the Enel Group in Latin America, was intended to facilitate and support the successful merger of Endesa Américas and the other subsidiary Chilectra Américas into Enersis Américas, a transaction whose approval and effectiveness is a condition of the tender offer. More specifically, the tender was intended to give minority shareholders a way to liquidate their interests at a price in line with the market price in the event the above merger was completed.

On September 28, 2016, the extraordinary shareholders' meetings of the Chilean subsidiaries Enersis Américas, Endesa Américas and Chilectra Américas approved the merger of Endesa Américas and Chilectra Américas into Enersis Américas, the consequent increase in the latter's share capital and the change in its name to "Enel Américas". More specifically, on the basis of the merger plan approved by the extraordinary shareholders' meetings of the companies involved in the operation:

- > the shareholders of Endesa Américas will receive 2.8 Enersis Américas shares for each Endesa Américas share they hold;
- > the shareholders of Chilectra Américas will receive 4 Enersis Américas shares for each Chilectra Américas share they hold.

On October 31, 2016, the subsidiaries Enersis Américas, Endesa Américas and Chilectra Américas announced that, as the deadline to exercise withdrawal rights reserved to the companies' shareholders who did not approve the merger by incorporation of Endesa Américas and Chilectra Américas into Enersis Américas had expired, the conditions for this merger had been fulfilled. More specifically:

- > the entitled shareholders of Enersis Américas had exercised their right to withdraw within the maximum limit of 10% of the share capital of that company post-merger. Furthermore, following the withdrawals, no shareholder actually owns a larger stake than that provided for by law, defined as 65% of Enersis Américas' share capital;
- > the entitled shareholders of Endesa Américas had exercised their right to withdraw within the maximum limit of

10% of the company's share capital;

- > the entitled shareholders of Chilectra Américas had exercised their right to withdraw within the maximum limit of 0.91% of the company's share capital.

In conformity with the resolutions of the extraordinary shareholders' meetings of Enersis Américas, Endesa Américas and Chilectra Américas held on September 28, 2016, the merger took effect as from December 1, 2016, and as from that date Enersis Américas changed its name to "Enel Américas SA". Taking account of the withdrawals exercised by the shareholders of Enersis Américas, Endesa Américas and Chilectra Américas that did not approve the merger, as well as the shares tendered in the public tender offer launched by Enersis Américas for the float of Endesa Américas, as a result of the merger as from December 1, Enel indirectly controls – through subsidiaries – 51.8% of Enel Américas.

16 September Tax equity agreement for Cimarron Bend wind project in the United States

On September 16, 2016, Enel Green Power North America Inc. ("EGPNA"), the US renewable energy company of the Enel Group, acting through its subsidiary Cimarron Bend Wind Holdings, signed a tax equity agreement worth approximately \$500 million with three investors – Bank of America Merrill Lynch, J.P. Morgan and MetLife – for the construction of the 400 MW Cimarron Bend wind project located in Kansas.

Under the agreement, the investors will contribute the above amount to the wind farm's owner Cimarron Bend Wind Holdings in exchange for 100% of "Class B" membership interests in the project. This interest will allow the three investors to obtain, at certain conditions provided for under US tax laws, a percentage of the tax benefits that will be attributed to the Cimarron Bend project. In turn, EGPNA, through Cimarron Bend Wind Holdings, will retain 100% ownership of the "Class A" interests and therefore management control of the project. The funding commitment came into effect at signing. Funds will be released in two phases, the first instalment being released mid-way through the construction of the 400 MW project and the second instalment upon completion of the project. The tax equity partnership will be supported by a parent company guarantee from Enel SpA.

The Cimarron Bend wind farm, whose construction started in April 2016, is expected to begin operations in 2017. The project will require an investment of approximately \$610 million, in line with the Enel Group's current strategic plan.

20

September

**Enel confirmed in STOXX
Global ESG Leaders Index**

On September 20, 2016, for the third year in a row, Enel was again admitted to the STOXX Global ESG Leaders Index, which measures companies' environmental, social and governance (ESG) performance. Enel achieved a score of 90.72/100 in the Social ranking, 88.93/100 in the Governance ranking and 53.32/100 in the Environmental ranking.

26

September

**Enel enters Top 100 of the new
Thomson Reuters Diversity
and Inclusion Index**

On September 26, 2016, Enel was named in the Top 100 of the new Thomson Reuters Diversity and Inclusion Index, which ranks over 5,000 companies for their diversity and inclusion performance via environmental, social and governance (ESG) data gathered from sources such as annual reports, company websites, stock exchange filings, CSR reports and the news. Enel's score of 74.75 put it in 25th place in the index, which was created by the business information multinational Thomson Reuters, and it performed impressively against industry and country peers. The Group is the highest ranked of the five Italian companies included in the Top 100, and was also one of only two electric utilities and independent power producers (IPPs) as defined by Thomson Reuters to make the index's Top 50.

28

September

**Agreement for the sale of
Marcinelle Energie**

On September 28, 2016, Enel signed an agreement to sell Marcinelle Energie, a 100% subsidiary of Enel Investment Holding, to French electricity supplier Direct Energie. Following the closing of the transaction, expected in the coming months, Enel will exit the Belgian market. Marcinelle Energie owns and operates a combined cycle gas turbine (CCGT) power generation plant of around 400 MW in Belgium. The sale took place on December 30, 2016 at a total price of about €36.5 million, which was paid in full. The sale price will be subject to customary completion adjustments, including an earn-out mechanism.

29

September

**Enel wins renewables tender
in Mexico**

On September 29, 2016, Enel, acting through its subsidiary Enel Green Power México, was awarded the right to sign an energy and green certificate supply contract with the Salitrillos wind project in the second renewable energy tender launched by the Mexican Ministry of Energy.

Enel will invest about \$120 million in the construction of the wind farm, as part of the investments envisaged in its current Strategic Plan. The plant, located in the state of Tamaulipas, in North-eastern Mexico, will have a total installed capacity of 93 MW and is expected to enter into operation by 2019. The project will be supported by a contract providing for the sale to Mexico's Federal Electricity Commission (*Comisión Federal de Electricidad* or CFE) of both specified volumes of energy over a 15-year period and the related green certificates over a 20-year period.

10

November

2017 interim dividend

On November 10, 2016, the Board of Directors decided to adopt an interim dividend policy aimed at optimizing shareholder return that will be applied starting with net income for 2016. The reasons which prompted the Board of Directors to adopt this policy are:

- > the need to align Enel's dividend policy with that adopted by the major utilities with which it is compared by investors. In fact, a large number of companies included in the Euro STOXX Utilities index that actually pay a dividend have adopted a policy for the payment of interim dividends;
- > the shareholder structure of Enel. Much of Enel's share capital is held by institutional investors that practice a "long-only" investment approach, a significant number of whom are essentially guided by their assessment of dividend distributions (including frequency). The practice of distributing one or more interim dividends is quite common in the United States, and a significant portion of Enel's share capital is held by US institutional investors;
- > investors' positive assessment of Enel's ability to generate stable cash flows.

The interim dividend policy approved by the Board of Direc-

tors provides for dividends be paid to shareholders in two instalments each year. In line with the prevailing practice of companies included in the Euro STOXX Utilities index that have adopted an interim dividend policy, from now on Enel plans to pay an interim dividend in January and the balance of the dividend in July. Bearing in mind the foregoing and the fact that the Parent Company posted net income of €2,259 million in the first nine months of 2016, the Board of Directors, taking due account of the outlook for the 4th Quarter of the year, has approved the distribution of an interim dividend of €0.09 per share. The interim dividend, gross of any withholding tax, will be paid as from January 25, 2017, with an ex-dividend date for coupon no. 25 of January 23, 2017 and a record date of January 24, 2017.

14

November

EF Solare Italia acquires other plants in Italy

On November 14, 2016, EF Solare Italia, an equally held joint venture between Enel Green Power ("EGP") and the F2i infrastructure fund, created to develop and consolidate the photovoltaic market in Italy, signed an agreement for the acquisition of 60 MW of photovoltaic plants held in Italy by Etrion, a player in the solar power industry that is listed on the Toronto and Stockholm stock exchanges.

The transaction closed on December 15, 2016, and involved 17 plants located in Lazio (40.6 MW) and Puglia (19.3 MW), which in 2015 generated a total of over 100 million kWh of electricity. The transaction follows a deal for another 10 plants, making EF Solare Italia the leading operator in the Italian PV sector.

EF Solare Italia's portfolio has expanded to 92 plants with an installed capacity of about 341 MW. Previously, it consisted of 65 plants in 12 different regions (about 102 MW contributed by EGP and about 163 MW contributed by F2i, including 58 MW currently being transferred).

21

November

AISCAT and API agree to work to boost electric mobility

On November 21, 2016, Enel and AISCAT, Italy's association of toll motorway and tunnel concessionaires, signed a memorandum of understanding to launch a joint working group on electric mobility on the Italian toll motorway

network. The agreement provides for the establishment of a strategic, technological and logistical testing program for a network of electric fast-charging stations in service areas. The trial will last about three years and will include both a study and analysis phase and a pilot implementation phase in the field. The service areas where the charging infrastructure is to be installed will be selected by the individual motorway concession holders in collaboration with Enel and AISCAT, initially beginning with a list of stations approved by the European Union as part of the EVA+ (Electric Vehicle Arteries) project. The first installations will begin in 2017.

On December 15, 2016, Enel Energia and the API Group signed a memorandum of understanding for the installation of fast recharging points in IP service stations for electric cars. The agreement provides for two implementation stages: the first will see the installation of fast recharging points (E-corners) at six IP service stations, three in Rome and three in Milan, alongside petrol and diesel pumps. The project, which has already started a pilot initiative, is expected to become operational in spring 2017. The second stage will see the conversion of two IP petrol stations in the same cities to Enel E-Stations, which are 100% electrical recharging stations. The E-Stations will be managed by Enel and will be installed at service stations currently being decommissioned.

21

November

Transformation of partnership with General Electric

On November 21, 2016, Enel's US-based renewables subsidiary Enel Green Power North America Inc. ("EGPNA") has signed a letter agreement with the GE unit (NYSE: GE) GE Energy Financial Services under which the two companies intend to sign a deal that will see EGPNA sell a 1% stake in EGPNA Renewable Energy Partners LLC ("EGPNA REP") to GE Energy Financial Services, at a price to be fixed at a later stage. The agreement was subsequently executed on December 15. Following the transaction, EGPNA reduced its stake in EGPNA REP to 50% from 51% and GE Energy Financial Services increased its stake to 50% from 49%. The two companies also revised their LLC (Limited Liability Company) agreement, converting EGPNA REP into an equally owned joint venture. Thanks to the new joint venture, the United States will become the first country in which Enel has implemented its new industrial growth strategy, driven

by a “Build, Sell and Operate” approach with lower capital intensity and designed to accelerate the development of Enel’s broad global project pipeline.

25

November

Enel Energia wins tender for safeguard services in nine regions

On November 25, 2016, Enel Energia won the tender for the supply of safeguard services in nine Italian regions (Liguria, Piedmont, Valle d’Aosta, Trentino Alto Adige, Lombardy, Lazio, Puglia, Molise and Basilicata) for 2017-2018, corresponding to four lots in the national tender organized by the Acquirente Unico (Single Buyer).

23

December

CELG award

On December 23, 2016, the Brazilian national development bank (“BNDES”) confirmed that the subsidiary Enel Brasil SA (“Enel Brasil”) was the winner of the tender for the acquisition of approximately 94.8% of the share capital of Celg Distribuição SA (“CELG”), an energy distribution company that operates in the Brazilian state of Goiás.

The financial offer presented by Enel Brasil was worth R\$2.187 billion (about \$637 million). Established in 1956 and with its headquarters in Goiânia, CELG (which is currently a subsidiary of state-controlled electricity company Eletrobras) operates in a territory that covers more than 337 thousand square kilometers under a concession that is valid until 2045. The sale of CELG is part of the privatization of state assets launched by the Brazilian government. CELG’s market includes 237 municipalities with a combined population of about 6.2 million people. CELG’s customer base of 2.9 million is served via a network of more than 200,800 kilometers.

The signing and closing of the purchase agreement are both expected to take place in the 1st Quarter of 2017, following approval from antitrust authority CADE and electricity regulator ANEEL. After closing of the purchase of approximately 94.8% of the company’s share capital, a residual stake of around 5.1% of CELG will be offered to the company’s current employees and retired employees, through a process that will allow Enel Brasil to purchase the shares not bought by current employees and retired employees, the details of which will be announced at a later date.

Reference scenario

Enel and the financial markets

	2016	2015
Gross operating margin per share (euro)	1.63	1.68
Operating income per share (euro)	0.82	0.33
Group net earnings per share (euro)	0.23	0.05
Group net ordinary earnings per share (euro)	0.32	0.33
Dividend per share (euro)	0.18 ⁽¹⁾	0.14
Group shareholders' equity per share (euro)	3.44	3.35
Share price - 12-month high (euro)	4.19	4.46
Share price - 12-month low (euro)	3.40	3.44
Average share price in December (euro)	4.02	3.96
Market capitalization (millions of euro) ⁽²⁾	40,910	37,220
No. of shares outstanding at December 31 (millions)	10,167	9,403

(1) Dividend proposed by the Board of Directors on March 16, 2017, equal to €0.18 per share (of which €0.09 per share approved in November 2016 and paid as an interim dividend as from January 25, 2017).

(2) Calculated on average share price in December.

	Current ⁽¹⁾	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2014
Enel stock weighting in:				
- FTSE-MIB index	10.70%	11.41%	9.05%	9.45%
- Bloomberg World Electric index	3.08%	3.26%	3.04%	2.89%
Rating:				
Standard & Poor's	Outlook	Stable	Stable	Positive
	Medium/long-term	BBB	BBB	BBB
	Short-term	A-2	A-2	A-2
Moody's	Outlook	Stable	Stable	Stable
	Medium/long-term	Baa2	Baa2	Baa2
	Short-term	P2	P2	P2
Fitch	Outlook	Stable	Stable	Stable
	Medium/long-term	BBB+	BBB+	BBB+
	Short-term	F2	F2	F2

(1) Figures updated to January 31, 2017.

During 2016 global economic conditions improved slightly, although several factors of uncertainty remain that could weigh on the outlook for growth. These include the normalization of US monetary policy, where the Federal Reserve has reduced the monetary stimulus, with a consequent impact on the evolution of exchange rates that could engender turbulence in the emerging economies, with a consequent slowdown in economic growth. In Europe, uncertainty re-

mains high about the negotiations that will define the new relationship between the European Union and the United Kingdom.

Euro area growth continued and strengthened in the course of 2016, although it remains at a moderate pace. The expansion was mainly driven by the internal components of demand fueled by the extension and enhancement by the European Central Bank of expansionary policies implemented

in previous years. Inflation rose in December but remains below the target level of the ECB.

In Italy, the recovery continued at a gradual pace, thanks to the improvement in domestic demand.

Overall, the risks to global growth are still high. In particular, there remains a considerable risk that economic expansion could be affected by the emergence of protectionist pressures, as well as possible turbulence in emerging economies.

In this economic environment, the main European equity indices closed 2016 with contrasting results.

The FTSE Italia All Share index posted a loss of 10%, while the Ibex35 index in Spain fell by 2%. Conversely, the main indices in continental Europe posted gains for 2016 (the CAC40 in France rose by 5%, while Germany's DAX30 showed a gain of 7%). The euro-area utilities segment closed the year with a fall of 8%. As regards Enel shares, 2016 ended with the stock price at €4.188, up 7.6% on the previous year. The Enel stock was one of the best performers among its European peers, significantly outperforming the sector index for the euro area. On June 22, 2015 Enel paid the dividend on 2015 profits of €0.16 a share, up 14% on the dividend

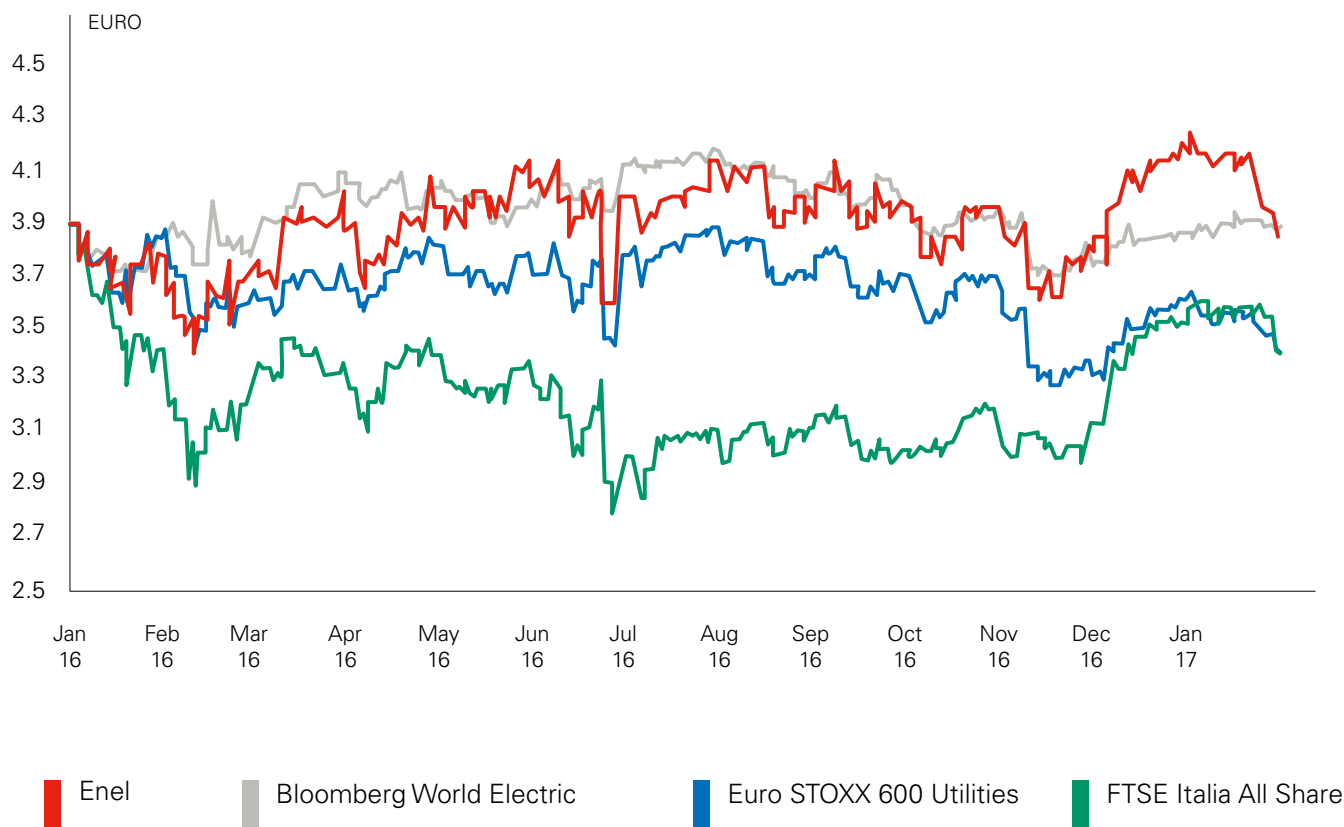
distributed the previous year. In addition, on November 10, 2016, on the occasion of the approval of the interim financial report, the Enel Board of Directors authorized the start of an interim dividend policy that provides for the distribution of an interim dividend for 2016. More specifically, on January 25, 2017 an interim dividend of €0.09 euro per share on 2016 profits was paid, while payment of the balance is scheduled to occur on July 26, 2017.

At December 31, 2016, the Ministry for the Economy and Finance held 23.6% of Enel, while institutional investors held 54.0% and individual investors held the remaining 22.4%.

For further information we invite you to visit the Investor Relations section of our corporate website (<http://www.enel.com/en/investors.html>), which contains financial data, presentations, real-time updates of the share price, information on corporate bodies and the rules 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, Euro STOXX Utilities and FTSE Italia All Share indices from January 1, 2016 to January 31, 2017



Source: Bloomberg.

Economic and energy conditions in 2016

Economic developments

The year 2016 was marked by a highly mixed and volatile international environment in the world's main financial areas, with divergent central bank action that in some cases reduced the monetary stimulus to financial systems, such as the Federal Reserve's stance in the United States, while in Europe the extension of the expansionary monetary stance characterized the position of the European Central Bank (ECB). In many emerging countries, inflationary pressures were countered with increases in interest rates and currency devaluations.

As for the European area, confidence is struggling to return to pre-crisis levels (with a weak recovery in investment, both public and private), while inflation remains on a negative path with core inflation falling and below 1% owing to low commodity prices and weak consumption, although slight signs of recovery in the 4th Quarter buoyed confidence somewhat. In this context, the ECB strengthened its expansionary monetary action through a series of initiatives: 1) a reduction of 0.40% in the interest rate on its deposit facility; 2) setting the refinancing rate at 0% and that on the marginal lending facility at 0.25%; 3) expanding the asset purchase program to €80 billion per month until March 2017 and extending its scope beyond public sector securities to include private non-financial issues, with a reduction to €60 billion until the end of the year in order to ensure the supply of liquidity to the system. The ECB therefore confirms an expansionary policy, emphasizing how these measures are still needed to ensure that the rise in inflation is stable and long-lasting. In this environment, tensions persist in the banking sector, due both to the weakness of bank balance sheets and gross income eroded by low interest rates, with the Italian banking industry among the hardest hit. The low profitability of the system (owing to interest rates at zero) and the low efficiency in cost management (cost/income ratios are still high) exacerbate the already delicate financial condition of the banks.

In Italy the ratio of NPL/CET1, i.e. bad debts to pure equity, is 150% on average, the highest in Europe and not sustainable in the long run. This is intrinsic to the bank's focus on domestic business, which has been struggling in a sluggish economy. However, banks are well capitalized, with a mean value for CET1 of 12.3% (above the Basel III requirements). The 1st Half of the year ended with a very important event,

one whose economic and political consequences are still difficult to assess. In a referendum held on June 24 last year, the United Kingdom decided to leave the European Union, with major economic indicators remaining positive but volatile (prices, employment and PMI index rising), with a temporal shifting of investments that has not yet materialized. Until Article 50 is invoked (and trade agreements then reached with Europe), it will be difficult to quantify the impacts in terms of postponed investments and reduced consumption. The Bank of England recently cut its official rate by 25 basis points, expanding its program for injecting liquidity into the economy in response to uncertainty about the macroeconomic situation. As for the United States, growth figures and the performance of the labor market have continued to improve in recent months, with inflation remaining close to the target level of 2%. The elections of 8 November represented a political discontinuity, as Trump's agenda will likely have a different focus from that of the previous administration regarding domestic industrial strategy, energy policy and trade agreements. Fears of a Chinese hard landing, which loomed especially large in the early months of the year, together with low commodity prices, the associated impact on emerging countries and the uneven performance of the real economy prompted a delay in any increase in US interest rates and a steady appreciation of the US currency. In December, moving in the opposite direction of European monetary policy, the Federal Reserve made its first rate increase (25 basis point). The emerging evidence points to further rises in the course of 2017, but with great attention to macroeconomic data, which will determine the size and timing of monetary policy actions.

The macroeconomic environment created severe strains in the financial markets in 2016, characterized by losses for the main equity indices (especially in Europe and Japan, although the latter posted gains in the 4th Quarter), based on expectations of downward revision of per-share earnings in the major segments and an increase in investor risk aversion, with purchases focusing on safe haven assets such as the yen, the Swiss franc, gold and German and Japanese government securities (whose yields even turned negative).

Last February the Bank of Japan (BoJ) decided to introduce negative interest rates on deposits in an attempt to further stimulate lending to the private sector and thus sustain in-

vestment, supporting growth and above all inflation, which remains negative.

The situation is different in Latin America, which at the end of 2015 – with an economy already in trouble – had to cope with the impact of “El Niño”, which caused flooding in Argentina and Chile and drought and high temperatures in Brazil. In 2016, Latin American economies struggled with high inflationary pressures and growth rates that were low and falling compared with recent years. In Argentina, inflation accelerated faster than expected in the 3rd Quarter to 42%, before easing again in the 4th Quarter of the year. The Government is working to limit the month-on-month rate of increase and return it to target levels, which will be implemented starting in 2017 (12-17% for 2017 and 8-12% for 2018). The removal of restrictions on foreign currencies produced a devaluation of the peso, normalizing the foreign exchange market in order to provide new fuel for the engine of growth, with a focus on exports and investment. The measures adopted by the Macri Government to stabilize the economy not yet had a real impact on inflation, while at the same time the country is also experiencing a recession that lasted for more than 15 months. Brazil registered inflation of 8.7% year on year, due to rising prices for agricultural goods and unprocessed foods, but it is trending down slightly. Unemployment remains a major issue, at levels close to 12%, and the economy continues to contract, albeit at a slower pace than in 2015.

Chile is going through a contentious period. The unexpected price increase in the first part of the year (as a result of the prices of food products and transport costs) reflected inflation that was failing to converge towards the target level of 3%, although it did improve at the end of the year, closing 2016 at 4.8% year on year. However, the Monetary Policy Committee (MPC) continued to maintain a neutral monetary stance during the year, but it emphasized the growing need for stimulus in the face of a deterioration in general

conditions. Industrial activity recovered somewhat in the final months of the year, but contracted by 2.8% year on year. Even the labor market remained weak, with unemployment worsening at the end of the year. Peru's monetary strategy is similar to that of Chile, with rates unchanged at 4.25% since March, but in a different macroeconomic environment, which was especially positive in 2016. Economic indicators (with GDP up 3.9% year on year) confirm solid growth. Inflation, which was up slightly in the 4th Quarter, remained stable at around 3.6%, down from 4.6% last January. Conditions are different in the Colombian macroeconomic environment, where economic growth slowed steadily over the year. Inflation rose out of control until July (the highest value in the last 16 years at +8.6%, and +8% on an annual basis), before reversing course, especially in the 4th Quarter, recording an annual increase of 7.5%, far the target level (3%). This year will see the launch of a tax reform that includes a 3 percentage point increase in VAT in order to increase revenue and reduce the risk of a debt downgrade. The impact of the slowdown have been transferred in part in the form of decline in inflation at the end of the year. In response to these macroeconomic developments, the Monetary Policy Committee has decided to maintain a restrictive stance, keeping interest rates unchanged after raising them in the 3rd Quarter.

In Russia, inflation continued to decline during 2016 and is expected to register an annual increase of 7.1%, falling below the threshold of 7% in the 4th Quarter, due to the limited increase in the prices of services. However, developments in food prices (which are displaying persistent growth) and the effect of the potential weakening of the ruble against the dollar must be monitored. Preliminary figures point to a decrease of 0.2% in GDP in the 4th Quarter and 0.6% year on year, continuing to reflect weak consumption and the decline in investment, in addition to weak exports, which are expected to post year-on-year growth of 0.5%.

The following table shows the growth rates of GDP in the main countries in which Enel operates.

Annual real GDP growth

%

	2016	2015
Italy	0.9	0.6
Spain	3.2	3.2
Portugal	1.2	1.6
Greece	0.3	-0.3
France	1.2	1.2
Romania	4.5	3.8
Russia	-0.6	-3.7
Brazil	-3.6	-3.8
Chile	1.5	2.3
Colombia	2.1	3.1
Mexico	2.1	2.6
Peru	3.9	3.3
Canada	1.3	0.9
United States	1.6	2.6

Source: National statistical institutes and Enel based on data from ISTAT, INE, EUROSTAT, IMF, OECD and Global Insight.

International commodity prices

In 2016 oil prices were affected by high volatility, rising from the lows registered in the early part of the year of \$30 a barrel to highs of more than \$50.

The causes of the sharp fluctuations, first downward and then upward, were multiple: 1) a decline in growth forecasts for China and the United States (in the initial months of the year); 2) a strong increase in net speculative positions; 3) several unexpected disruptions of production; and 4) the agreement reached in the November OPEC meeting at which the member countries committed to take coordinated action to cut global production of crude oil.

Prices were initially driven mainly by market sentiment, and then by the decline in non-conventional drilling in the United States. Since June the prices remained in the range of \$40-50 per barrel, reflecting the recovery of shale oil drilling and the subsequent rumors of a possible agreement at the September OPEC meeting.

Volatility then increased in the run-up to the Vienna meeting of November 30, when the major oil producing countries reached an agreement to reduce global production by 1.2 million barrels a day, joined by non-OPEC countries with a further cut of 0.6 million barrels a day. This triggered a rise in prices to more than \$50 a barrel, consolidating the upward trend in prices from the lows of earlier in the year.

The main developments affecting coal in the past year were closely linked to events in China, where government measures taken last winter first sought to reduce local production and then to increase it, ultimately generating considerable turbulence on the market, which saw prices double from

the lows of around \$40/metric ton in February.

All three major benchmarks (API2, API4 and API3) experienced a rapid and constant rise after the weak start of the year in conjunction with the lows registered in oil prices, driven by a sharp increase in Chinese imports (about 80% year on year) due to the concomitant weakness of local production.

The European market, affected by constant oversupply, remains less strained than the Pacific basin as a result of especially weak demand for coal from the power sector.

Gas demand in Europe rose slightly over the course of 2016 (about 1.0% year on year), although it is still well below pre-crisis levels, reflecting a recovery in gas consumption in the electricity sector.

Especially cold temperatures on the European continent provided further impetus to the growth of demand in the residential sector. Supply increased (more than 1% year on year), mainly due to the increase in supplies from Russia, which were needed to offset the impact of maintenance work at the Rough storage facility, and from Algeria, whose gas was mainly directed to Italy. As a result, the European TTF price, after holding at €12-14/MWh in the first nine months of the year, experienced a sharp rise in conjunction with the start of the winter season, increasing to nearly €20/MWh. Italy registered a slight contraction (0.3%) in demand in 2016 after increases caused by the high level of use of gas-fired generation plants in the summer. The only sector that saw an increase in gas consumption was thermoelectric generation, with the greater competitiveness of gas over coal again the main factor.

Electricity markets

Developments in electricity demand

GWh

	2016	2015	Change
Italy	310,251	316,897	-2.1%
Spain	250,131	248,398	0.7%
Romania	58,769	57,412	2.4%
Russia ⁽¹⁾	781,110	767,328	1.8%
Slovakia	30,031	29,213	2.8%
Argentina	137,061	136,209	0.6%
Brazil ⁽²⁾	548,783	581,130	-5.6%
Chile ^{(2) (3)}	72,920	71,359	2.2%
Colombia	66,395	66,175	0.3%

(1) Europe/Urals.

(2) Figure for the SIC - *Sistema Interconectado Central*.

(3) Gross of grid losses.

Source: Enel based on TSO figures.

In Europe, the continental countries and Spain recorded positive rates of growth in electricity demand, mainly because of the economic recovery, partly offset by temperature effects. Conversely, Italy registered a contraction of 2.1% (-1.4% excluding temperature and calendar effects). The fall in demand was in line with trends in the country's economic growth and consumption, which showed slight signs of improvement in the 4th Quarter of the year. Spain posted growth of 0.7% (+0.8% excluding calendar and temperature effects), significantly slower than the estimated growth in GDP of more

than 3%. More specifically, the performance reflected the slowdown under way since 2008 in private and industrial consumption, partly due to efficiency gains and partly to structural factors. Russia also registered growth in 2016 (+1.8%) compared with 2015, a positive sign when set against the recession still prevailing in the country. Growth of the Latin American countries continued, except for Brazil, although the pace of expansion was slower than the previous year: Argentina (+0.6%), Colombia (+0.3%) and Chile (+2.2%), while demand decreased in Brazil (-5.6%), affected by the recession.

Italy

Domestic electricity generation and demand

Millions of kWh

	2016	2015	Change
Net electricity generation:			
- thermal	187,461	182,861	4,600
- hydroelectric	42,323	46,451	(4,128)
- wind	17,455	14,705	2,750
- geothermal	5,865	5,824	41
- photovoltaic	22,545	22,587	(42)
Total net electricity generation	275,649	272,428	3,221
Net electricity imports	37,026	46,378	(9,352)
Electricity delivered to the network	312,675	318,806	(6,131)
Consumption for pumping	(2,424)	(1,909)	(515)
Electricity demand	310,251	316,897	(6,646)

Source: Terna - Rete Elettrica Nazionale (monthly report - December 2016).

In 2016, *domestic electricity demand* decreased by 2.1% (to 310,251 million kWh) compared with 2015. Of total electricity demand, 88.1% was met by net domestic electricity generation for consumption (85.4% in 2015) with the remaining 11.9% being met by net electricity imports (14.6% in 2015).

In 2016, *net electricity imports* decreased by 9,352 million kWh, the joint effect of the decline in demand and an increase in net power generation in the national market.

Net electricity generation increased by 1.2% or 3,221 million kWh in 2016, to 275,649 million kWh. More specifically, in an environment of decreased electricity demand and less favorable water availability conditions, thermal generation increased by 4,600 million kWh, accompanied by an increase of 2,750 million kWh in wind generation as a result of the expansion of available wind farms.

Spain

Electricity generation and demand in the peninsular market

Millions of kWh

	2016	2015	Change	
Net electricity generation	248,531	254,387	(5,856)	-2.3%
Consumption for pumping	(4,811)	(4,520)	(291)	-6.4%
Net electricity exports ⁽¹⁾	6,411	(1,469)	7,880	-
Electricity demand	250,131	248,398	1,733	0.7%

(1) Includes the balance of trade with the extra-peninsular system.

Source: Red Eléctrica de España (*Estadística diaria del sistema eléctrico español peninsular* - December 2016 report). Volumes for 2015 are updated to December 9, 2016.

Electricity demand in the peninsular market in 2016 rose by 0.7% compared with 2015 reaching 250,131 million kWh. Demand was met virtually entirely by net domestic generation for consumption, while in 2015 that generation had in fact exceeded internal demand.

Net electricity exports in 2016 decreased compared with the

previous year. This essentially reflected the net effect of a decline in exports and an increase in imports from other countries, driven by lower average sales prices on international markets and the need to meet domestic requirements.

Net electricity generation in 2016 decreased by 2.3% (-5,856 million kWh) to 248,531 million kWh.

Electricity generation and demand in the extra-peninsular market

Millions of kWh

	2016	2015	Change	
Net electricity generation	13,785	13,549	236	1.7%
Net electricity imports	1,251	1,336	(85)	-6.4%
Electricity demand	15,036	14,885	151	1.0%

Source: Red Eléctrica de España (*Estadística diaria del sistema eléctrico español extrapeninsular* - December 2016 report). Volumes for 2015 are updated to December 12, 2016.

Electricity demand in the extra-peninsular market in 2016 increased by 1.0% compared with 2015, reaching 15,036 million kWh. Of total electricity demand, 91.7% was met by net electricity generation in the extra-peninsular area, with the remaining 8.3% being met by net electricity imports, all from the peninsular system. The latter totaled 1,251 million kWh in 2016.

Net electricity generation in 2016 rose by 1.7% or 236 million kWh as a result of higher demand for electricity in the extra-peninsular market.

Electricity prices

Electricity prices

	Average baseload price 2016 (€/MWh)	Change in baseload price 2016-2015	Average peakload price 2016 (€/MWh)	Change in peakload price 2016-2015
Italy	42.78	-18.3%	48.2	-17.2%
Spain	39.7	-21.2%	45.0	-20.5%
Russia	15.3	94.6%	17.5	-6.3%
Slovakia	31.6	-6.0%	40.1	-6.8%
Brazil	30.0	-62.4%	61.6	-53.0%
Chile	54.8	-32.9%	128.2	-27.9%
Colombia	83.9	-29.7%	244.1	-58.2%

Price developments in the main markets

Eurocents/kWh

	2016	2015	Change
Final market (residential) ⁽¹⁾			
Italy	0.24	0.24	-2.2%
France	0.17	0.16	2.4%
Portugal	0.24	0.23	3.1%
Romania	0.13	0.13	-3.6%
Spain	0.22	0.23	-6.6%
Slovakia	0.14	0.15	-6.0%
Final market (industrial) ⁽²⁾			
Italy	0.08	0.09	-10.7%
France	0.06	0.07	-11.0%
Portugal	0.08	0.10	-18.0%
Romania	0.06	0.07	-10.2%
Spain	0.11	0.11	-5.8%
Slovakia	0.10	0.11	-15.8%

(1) Annual price net of taxes - annual consumption of between 2,500 kWh and 5,000 kWh.

(2) Annual price net of taxes - annual consumption of between 70,000 MWh and 150,000 MWh.

Source: Eurostat.

Electricity price developments in Italy

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	2016				2015			
Power Exchange - PUN IPEX (€/MWh)	39.6	34.5	40.9	55.9	51.8	47.9	56.7	52.8
Average residential user with annual consumption of between 2,641 and 4,440 kWh with subscribed capacity of more than 3 kW (€/kWh): price net of taxes	0.24	0.23	0.24	0.24	0.24	0.24	0.24	0.25

Source: GME (Energy Markets Operator); Authority for Electricity, Gas and the Water System.

In Italy, the average uniform national sales price of electricity on the Power Exchange contracted sharply in 2016 (-18.3%), reaching a historic low on a number of days during the year.

The average annual price (net of taxes) for residential users set by the Authority for Electricity, Gas and the Water System fell slightly in 2016, declining by 1.9%.

Natural gas markets

Natural gas demand

Millions of m³

	2016	2015	Change	
Italy	65,256	65,436	(180)	-0.3%
Spain	27,649	27,161	488	1.8%

Demand for natural gas in 2016 contracted slightly in Italy, while consumption rose by 1.8% in Spain. In Italy, industrial

and residential consumption declined, partly offset by an increase in gas use for conventional electricity generation.

Italy

Domestic gas demand

Millions of m³

	2016	2015	Change	
Distribution networks	29,718	30,992	(1,274)	-4.1%
Industry	12,491	12,572	(81)	-0.6%
Thermal generation	21,704	20,475	1,229	6.0%
Other ⁽¹⁾	1,343	1,397	(54)	-3.9%
Total	65,256	65,436	(180)	-0.3%

(1) Includes other consumption and losses.

Source: Enel based on data from the Ministry for Economic Development and Snam Rete Gas.

Domestic demand for natural gas in 2016 totaled 65,256 million cubic meters, a decrease of 0.3% on the previous year. The contraction in consumption in the industrial and residen-

tial segments was offset by an increase in thermal generation, prompted by a decrease in the availability of renewable resources and the favorable prices of fuels.

Price developments

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	2016				2015			
Average residential user with annual consumption of between 481 and 1,560 m ³ (€/m ³): price net of taxes	0.47	0.41	0.42	0.43	0.51	0.48	0.48	0.49

Source: Authority for Electricity, Gas and the Water System.

The annual average sales price of natural gas in Italy decreased by 12.4% in 2016.

Regulatory and rate issues

The European regulatory framework

REMIT reporting

On April 7, 2016, the second phase of REMIT reporting began. The reporting is part of the market monitoring activities of the Agency for the Cooperation of Energy Regulators (ACER) and national regulatory authorities. As from that date, ACER also received data on transactions executed outside organized markets, transmission contracts and the use of LNG and storage facilities.

Entry into force of MIFID II/ MIFIR

On July 1, 2016 Regulation (EU) 2016/1033 and Directive (EU) 2016/1034 entered force, postponing the entry into force of the rules governing the provision of investment services in Europe (the MIFIR Regulation and the MIFID II Directive, respectively) from January 3, 2017 to January 3, 2018. Accordingly, the deadline for transposing the legislation by the Member States has been postponed from July 3, 2016 to July 3, 2017.

The “Clean Energy for all Europeans” package

On November 30, 2016, the European Commission issued the “Clean Energy for all Europeans” package of measures for proposed legislation on European climate and energy policy.

In particular, the package includes the following Regulations and Directives, some of which are revised versions, others newly issued: the Electricity Regulation, the ACER Regulation, a Risk Preparedness Regulation, the Energy Union Governance Regulation, the Electricity Directive, the Renewable Energy Directive, the Energy Efficiency Directive and the Energy Performance of Buildings Directive.

The legislative proposals will be discussed as from 2017 by the Parliament and the European Council for the purpose of their gradual and progressive approval. They are expected to come into force as from 2019.

In line with the sustainability and climate change mitigation objectives, new binding targets at the EU level for 2030 will be introduced: 27% of gross final energy consumption from renewable sources, a 30% energy efficiency target and a 40% reduction in greenhouse gas emissions.

The Renewable Energy Directive introduces a stable regulatory framework for investors. Member States will have to adopt a market approach to support renewables. Incentive mechanisms should follow harmonized principles such as cross-border opening, the non-retroactivity of measures and long-term visibility for support mechanisms (at least three years). Administrative barriers for corporate long-term PPAs to finance renewables must be removed where appropriate and authorization procedures simplified. The Commission proposal also requires Member States to increase the share of renewable resources in heating and cooling and sets more stringent criteria for the sustainability of bio-energy.

The Electricity Regulation and Directive propose an integrated revision of the design of the electricity market to make the integration of renewable energy more efficient and the treatment of different generation technologies (conventional and renewable) more equitable, introduce greater granularity in trade, move market close closer to real time, open the balancing market to all generation sources and demand (through aggregation), set non-discriminatory and market-based dispatching rules (elimination of priority dispatch for new renewables plants above 500 kW).

It also introduces an opening to long-term contracting and remuneration of capacity mechanisms, subject to the results of a study of European capacity adequacy and to limitations in the atmospheric emissions of CO₂ to access the same. Conditions for the emergence of signs of scarcity are improved and price caps removed.

With regard to new technologies and new market players, the package envisages measures to support the integration of storage technologies, aggregators and customer participation (demand-side response). Other provisions concern compulsory installation of charging points for electric vehicles in new public buildings and the promotion of smart grids and buildings.

The Distribution System Operators (DSO) are recognized as increasingly important actors in the electricity system and the proposals include the creation of a new European DSO entity, the introduction of harmonized principles at the European level for grid rates, the possibility of purchasing and providing flexibility services locally to solve congestion problems. There are no additional requirements on unbundling. Finally, the package establishes the centrality of consumers

in the electricity market through their active participation by way of demand aggregation and demand flexibility services (demand response), removal of price regulation, the introduction of mandatory dynamic pricing options, price comparison tools and basic information in electricity bills.

The Energy Efficiency Directive establishes that Member States should contribute to the achievement of the European target with indicative national contributions. In addition, proposals include extending beyond 2020 the energy efficiency obligations of Member States for final consumption to be met through energy efficiency obligation schemes or alternative measures.

The European Commission proposes the introduction of a decarbonization target for 2050 in the building sector and changes aimed at encouraging the use of smart tools like automation and control systems and performance indicators, promoting charging infrastructure for electric vehicles and the correlation between the financing of measures with the results achieved in energy terms.

The European Commission also proposes a new plan containing a list of energy products to be evaluated, reviewed and subjected anew to regulations containing minimum energy efficiency requirements (including new products: building automation and control systems, photovoltaic panels and ICT products).

State aid for capacity mechanisms

On November 30, 2016 the European Commission published its conclusions for the inquiry launched in April 2015 by DG Competition concerning capacity mechanisms in Europe. The inquiry focused on 11 countries, including Italy, Spain, Portugal, France and Belgium and analyzed existing and future capacity mechanisms.

The final report acknowledges that European electricity markets suffer from a number of market failures that could undermine incentives to invest.

The Commission finds that it is reasonable for the Member States to address the problems of adequate current or future generation capacity. The implementation of a centralized market mechanism like the Italian system is considered to be one of the most appropriate forms of intervention.

The Italian regulatory framework

The current structure of the Italian electricity market is the result of the liberalization process begun in 1992 with Directive 1992/96/EC, transposed into Law with Legislative Decree 79/1999. This decree provided for: the liberalization of electricity generation and sale; reserving transmission and ancillary services to an independent network operator; the granting of concessions for distribution to Enel and other companies run by local governments; the unbundling of network services from other activities.

The introduction of Directives 2003/54/EC and 2009/72/EC (transposed with Law 125/2007 and Legislative Decree 93/2011, respectively) in Italy lent further impetus to the process, particularly through the complete opening of the retail market and the confirmation of the total independence of the national transmission network operator (already provided for in the decree of the Prime Minister of May 11, 2004) by separating its ownership from that of other electricity operators.

The process of liberalizing the natural gas market began with Directive 1998/30/EC, transposed in Italy through Legislative Decree 164/2000, calling for the liberalization of the import, production and sale of gas and the separation of network infrastructure management from other activities through the establishment of distinct companies. As regards the model for unbundling transport from other non-network activities, with Resolution 515/2013/R/gas, the Authority for Electricity, Gas and Water System (the "Authority") mandated the transition to ownership unbundling pursuant to Directive 2009/73/EC.

The following sections discuss the general regulatory framework and the main measures taken in 2016 for the industry as a whole and for specific segments.

Generation

Electricity

Wholesale electricity generation and market

Electricity generation was completely liberalized in 1999 with Legislative Decree 79/1999 and can be performed by anyone possessing a specific permit.

The electricity generated can be sold wholesale on the organized spot market (IPEX), managed by the Energy Markets Operator (GME), and through organized and over-the-counter platforms for trading forward contracts. The organized platform includes the Forward Electricity Market (MTE), managed by the GME, in which forward electricity contracts with physical delivery are traded. Trading can also be conducted in derivatives with electricity as their underlying are traded. The organized market for such transactions is the forward market (IDEX), operated by Borsa Italiana, while financial derivatives can also be negotiated on OTC platforms.

Generators may also sell electricity to companies engaged in energy trading, to wholesalers that buy electricity for resale at retail, and to the Acquirente Unico (Single Buyer), whose duty is to ensure the supply of energy to enhanced protection service customers.

In addition, for the purposes of the provision of dispatching services, which is the efficient management of the flow of electricity on the grid to ensure that deliveries and withdrawals are balanced, electricity generated may be sold on a dedicated market, the Ancillary Services Market (MSD), where Terna procures the required resources from generators.

The Authority and the Ministry for Economic Development are responsible for regulating the electricity market.

More specifically, with regard to dispatching services, the Authority has adopted a number of measures regulating plants essential to the security of the electrical system. These plants are deemed essential based on their geographical location, their technical features and their importance to the solution of certain critical grid issues by Terna. In exchange for being required to have electricity available and providing binding offers, these plants receive special remuneration determined by the Authority. Decree Law 91 of June 24, 2014 provides for all schedulable generation units located in Sicily with a capacity of more than 50 MW to be declared essential to system security under a cost reimbursement system. The

rules took force as from January 1, 2015 until the completion of the "Sorgente-Rizziconi" interconnector between Sicily and continental Italy (May 28, 2016).

Since the launch of the market in 2004, the regulations have provided for a form of administered compensation for generation capacity. In particular, plants that make their capacity available for certain periods of the year identified in advance by the grid operator to ensure the secure operation of the national electrical system receive a special fee.

In August 2011, the Authority published Resolution ARG/elt 98/11, which establishes the criteria for introducing a market mechanism for compensating generation capacity that replaces the current administered reimbursement. This mechanism involves holding auctions through which Terna will purchase from generators the capacity required to ensure that the electricity system is adequately supplied in the coming years.

With a decree of the Minister for Economic Development of June 30, 2014, the capacity market operational mechanism previously issued for consultation by the Authority was approved.

The mechanism is based on the allotment, by auction, of option contracts (reliability options) that provide for payment of a premium, established in the auction with the setting of a marginal price, against which a generator undertakes to return any positive difference between the price formed on the spot electricity and auxiliary services market and a benchmark price set ex-ante in the option contract.

The rules approved provide for a cap for the premium to be paid for existing capacity and for newly constructed capacity.

With Resolution 95/2015/R/eel, the Authority proposed to the Ministry for Economic Development that the opening of the capacity market be moved forward, with an initial phase of implementation beginning on January 1, 2018 and ending no later than December 31, 2021, with the launch of full operation of the mechanism. Under the Authority's proposal, during the initial phase, there would be no direct resources permitted in the market, but their contribution would be measured for statistical purposes. During the initial implementation phase, Terna would assign annual products with an increasing planning horizon of less than four years (the period between the auction and the start of delivery of the assigned products). Once fully implemented, explicit participation would be open to foreign resources, the horizon would be four years, while the duration of the product would remain annual.

The rules governing the capacity market must be approved by the Ministry for Economic Development subject to notification and approval of the mechanism by the European Commission.

On February 24, 2015, the market coupling model for the Italian, Austrian, French and Slovenian day-ahead trading markets was launched. Market coupling is a mechanism for integrating day-ahead markets that, in setting the electricity prices for the different segments of the European market involved, also allocates the transport capacity available between those segments, thereby optimizing the use of inter-connections.

With regard to the scheme for greenhouse gas emission allowance trading established with Directive 2003/87/EC, in October 2016 the Ministry for Economic Development settled a second tranche of Enel Produzione's receivable arising in respect of the failure to allocate free allowances and the absence of the right to flexibility in phase 2 (2008/2012). In addition, the 2016 Stability Act (Law 208/2015) amended Article 19 of Legislative Decree 30/2013, eliminating the deadline of 2015 for payment of the receivables referred to above.

With Resolution 326/2016/R/eel, the Authority charged Terna with conducting the competitive tender for assigning contracts for the supply of replacement tertiary reserves in Sardinia for the period from July 1, 2016 to December 31, 2018. The contracts awarded by Terna establish a requirement to supply the Ancillary Services Market (MSD) at the variable cost paid to the plant for a premium established in the competitive tender. Following the tender, all of the capacity was contracted with Enel's Sulcis plant.

With Resolution 342/2016/E/eel, the Authority ordered the start of a proceeding for the adoption of measures (prescriptive measures or asymmetric regulations) to prevent certain conduct by users of dispatching services in the wholesale electricity market that could constitute market abuse pursuant to Regulation (EU) 2011/1227 (REMIT).

With the subsequent Resolution 477/2016/E/eel, the Authority reported the conduct of a number of dispatching users delivering power operating on the Ancillary Services Market to the Competition Authority (AGCM) for an investigation of possible violations of competition rules. One of these users was Enel Produzione SpA with regard to the supply of power from the Brindisi plant to the wholesale

market. Following the report filed by the Authority, on October 6, 2016, the Competition Authority began an enquiry involving Enel SpA and Enel Produzione SpA to determine the existence of a possible abuse of a dominant position in the Ancillary Services Market. The proceeding should be completed by the end of May 2017.

Gas

Wholesale market

The extraction, import (from EU countries) and export of natural gas have been liberalized.

According to the provisions of Legislative Decree 130/2010, operators cannot hold a market share that exceeds 40% of domestic consumption. This limit may be raised to 55% if the operator commits to creating 4 billion cubic meters in new storage capacity by 2015. Under this provision, the Ministry for Economic Development approved Eni's proposed plan to create new storage in early 2011. To date, 2.6 billion cubic meters in new storage capacity has been created. Law 9/2014 establishes that, in order to limit the costs for the system, the remaining storage capacity (up to 4 billion cubic meters) be created only if there is market demand for it. The operators have not shown any interest in the auctions held and, therefore, no further storage capacity has been created.

Following the approval of the Parliamentary committees and the positive opinion of the Authority, on March 6, 2013, the Ministerial Decree approving the rules for the natural gas forward market ("MT Gas") was signed, with operations beginning on September 2, 2013. The forward market completed the structure of the Italian wholesale market, joining the spot trading platform (the "Gas Exchange"), which has been operating since 2010, and the balancing market begun in December 2011 under the rules set by the Authority.

Transport, storage and regasification

Transport, storage and regasification (of LNG) are subject to regulation by the Authority, which sets the rate criteria for engaging in these activities at the start of each regulatory period (lasting 4 years) and updates the rates annually.

Storage is carried out under a concession (for a maximum of 20 years) issued by the Ministry for Economic Development (MED) to applicants that satisfy the requirements of Legislative Decree 164/2000. The decree of February 6, 2015 of the MED retained the criteria established in 2014 for allocating capacity through auction for 2015 as well.

LNG activities are subject to the grant of a special ministerial permit.

Access to transport, storage and regasification capacity is provided through non-discriminatory mechanisms established by the Authority in order to guarantee third-part access (TPA). The Ministry for Economic Development may grant an exemption from the TPA rules to companies that own storage or regasification plants or cross-border gas interconnectors. The exemption is granted upon the explicit request of the companies involved and on the basis of an assessment of the benefits of the infrastructure for the system.

As to gas transport rates, the Council of State affirmed the voiding of the resolutions setting the rate for the 2010-2013 period, denying the Authority's appeal and accepting the arguments put forth by Enel Trade. The Authority lodged an appeal against the ruling of the Council of State. The appeal of the resolutions establishing the rate criteria for 2014-2017 is pending before the Regional Administrative Court.

With reference to the amounts due to companies admitted to the mechanism for the promotion of renegotiation of long-term gas supply contracts (APR), with Resolution 649/2016/R/gas the Authority established the definitive amount, granting Enel the maximum amount possible under that mechanism, equal to €61 million in 2014-2016.

Distribution

Electricity

Distribution and metering

E-distribuzione provides distribution and metering services under a 30-year concession set to expire in 2030.

The distribution rates are set by the Authority at the start of each regulatory period based on covering the total cost of providing the services, considering operating costs, depreciation and providing an appropriate return on capital.

The rate component covering operating costs is updated annually using a price-cap mechanism (i.e. based on the inflation rate and an annual rate of reduction of unit costs called the X-factor). The return-on-capital and depreciation components are revised each year to take account of new investments, depreciation and the revaluation of existing assets using the deflator for gross fixed capital formation.

With Resolution 654/2015/R/eel the Authority, in conjunction with the publication of the mandatory grid rates to be charged to end users in 2016, specified the criteria for the new rate period for electricity distribution and metering, which will be in force for the next eight years (2016-2023).

The rate period has been divided into two sub-periods of four years each (NPR1 for 2016-2019 and NPR2 for 2020-2023), with an interim revision scheduled for 2020.

For the first sub-period (NPR1), while the Authority essentially confirmed the general regulatory framework, it introduced substantial amendments concerning the timing and procedures for remunerating new investments in rates.

More specifically, the Authority reduced the so-called "regulatory lag", shortening to a maximum one year (from the two years in the previous regulatory period) the period before new investments are recognized in rates while at the same time eliminating the increase of one percentage point of WACC. The latter had been introduced by the Authority in 2012 to offset the financial burden imposed by the delayed recognition of new investments.

Operators are therefore required to notify the Authority by the end of the year of their preliminary accounts of investments made during the year, enabling the Authority to insert the data in the calculation of the mandatory rate published by the end of the year for the subsequent year. These investments are then inserted in the regulatory asset base as from January 1 of the year following their realization. Consequently, operators can match the revenue generated by the investments with their amortization.

The Authority also increased by five years the useful lives of low and medium-voltage power lines that entered service after December 31, 2007.

Finally, the level of operating costs recognized and the procedures for returning any extra efficiency gains to customers were also specified. More specifically, the Authority maintained the symmetric division of extra efficiency gains and the restitution until 2019 of gains achieved and temporarily maintained to firms in the third and fourth regulatory periods. The X factor used in updating eligible operating costs was set at 1.9% for distribution operations and 1% for metering activities.

For the second sub-period (NPR2), the Authority announced the transition to rate regulation based on total costs (the Totex method).

With Resolution 583/2015/R/com the Authority revised the method used to determine the rate of return on capital and set a rate of 5.6% for distribution and metering activities for 2016-2018. In particular, the Authority established a specific 6-year rate period for the WACC, with a mid-period update of the main parameters in the formula on the basis of macroeconomic conditions (interest and inflation rates) in 2018.

With Resolution 233/2016/R/eel, the Authority published the provisional reference rates for electricity distribution for 2016, which are used to determine the level of revenue recognized for each operator. Those rates, which reflect the changes introduced with Resolution 654/2015/R/eel, and specifically the elimination of the regulatory lag and the associated increase of one percentage point in the WACC guaranteed to operators to compensate for the fact that the corresponding remuneration was paid to them only as from the second year following the investment. Accordingly, those rates include the remuneration based on the WACC for regulatory capital employed for 2015 and the remuneration, calculated on the basis of the same parameters, of the one-off increase in net non-current assets for 2012-2014, following the elimination of the increase in the WACC mentioned above.

With Resolution 606/2016/R/eel, the Authority published the provisional reference rates for electricity metering for 2016 on the basis of preliminary balance-sheet data for 2015. According to the provisions of Resolution 654/2015/R/eel, the definitive reference rates for 2016, which represent the level of revenue recognized for each operator, must be published by February 28, 2017 on the basis of actual balance-sheet data for 2015.

With Resolution 87/2016/R/eel, the Authority approved the functional specifications of second generation electronic meters, which also established performance levels for the new smart metering systems.

With Resolution 646/2016/R/eel, the Authority issued the rate rules for the recognition of costs for low-voltage electricity metering and established the provision governing the placement in service of second-generation smart metering systems. The resolution also established that investments for 2G smart metering system will be recognized using an incentive approach, anticipating on an experimental basis the Totex method, which will be adopted as from 2020.

With Resolution 458/2016/R/eel, the Authority issued the new Integrated Electricity Metering Code, which will enter force on January 1, 2017. The changes include modifications of the obligations of distributors concerning the reading of low-voltage meters, increasing the frequency of those readings and modifying the system of penalties for failure to carry out meter reading as required. The measure also extends the functions requirements for the 2G meters set out in Resolution 87/2016/R/eel to low-voltage generation metering points.

As regards service quality, the Authority, with Resolution 646/2015/R/eel, established output-based regulation for electricity distribution and metering services, including the principles for regulation for 2016-2023 (TIQE 2016-2023) and authorized the start of trials to test the advanced management functions for the distribution grid.

The resolution retains the existing general approach to regulation, which provides for the Authority to set annual trend levels for service continuity indicators. On the basis of those indicators, distributors receive bonuses or penalties each year, depending on actual performance.

The resolution also indicates the start of future regulation for innovative investment in the distribution grid.

Resolution 781/2016/R/eel supplemented the TIQE, providing for the extension of the time allowed for completing trials of the advanced grid functions in order to permit operators to submit more detailed analyses to the Authority.

With Resolution 549/2016/R/eel, the Authority introduced, for 2017-2023, the general principles for the experimental incentive-based trials (rewards only) aimed at reducing the duration of interruptions with notice on the low and medium-voltage grids.

With Resolution 377/2015/R/eel, the Authority completed the regulatory framework governing losses on the distribution grid, revising the conventional loss percentages as from

January 1, 2016 and the equalization mechanism for losses to apply to distributors as from 2015. More specifically, the equalization mechanism takes account of the geographical diversification of losses on distribution grids.

With Resolution 782/2016/R/eel the Authority initiated, with effect from January 1, 2017, the second phase of the reform of electricity rates for residential customers. The goal of the reform is to eliminate the progressivity of the grid rate and system charges so as to encourage efficient consumption and to eliminate the existing system of cross-subsidies among various categories of residential customers in order to ensure that rates are consistent with the real costs of the service. The reform, which began in 2016, will be fully implemented in 2018 when the “progressive structure” that envisages a rising price per kWh as consumption increases will be completely abandoned.

More specifically, the new structure in force as from January 1, 2017 fully eliminates progressivity for the distribution rate. By contrast, the mechanism for system charges will initially reduce the effect of progressivity.

The same measure also introduced a number of temporary reliefs (for 24 months from April 1, 2017 to March 31, 2019) for connection fees and fixed fees pertaining to distributors for requests for changes in capacity levels. The resolution refers the specification of equalization mechanisms for distribution companies to subsequent measures.

In parallel, in order to neutralize any rate increases for customers in financial hardship, the Authority updated the amount of the social bonus for 2017.

With Resolution 268/2015/R/eel, the Authority established the Model Grid Code for transport services, which governs the relationship between sellers and distributors concerning the guarantees given by sellers to distributors, the payment terms for the transport service by sellers and the terms of payment of the system costs and other components by distributors to the Energy and Environmental Services Fund and the Energy Services Operator (GSE). The resolution also provided for the elimination starting from 2016 of the uncollectible portion of turnover withheld by distributors as a result of the strengthening of the system of guarantees.

As regards the calculation of the guarantees pledged by sellers to distributors in respect of transport services, the ruling of the Council of State of May 24, 2016 voided Resolution 612/2013/R/eel, establishing that those guarantees must be calculated net of system charges. The ruling nevertheless

stated that the parties could govern this issue contractually in individual transport contracts.

Various sales companies and an industry association cited that ruling in appealing Resolution 268/2015/R/eel (CADE), asking for the provision that includes system charges within those guarantees to be repealed.

With the subsequent Resolution 751/2016/R/eel, the Authority, in rejecting a petition submitted by the trader E.JA, ruled that both the petition to reduce the amount of the guarantees net of system charges and to offset amounts already paid to distributors were unfounded, specifying that the CADE provides for system charges to be paid to distributors on the basis of amounts invoiced by them to the trader and not on the basis of the amount actually paid by customers to the trader.

As regards the procedures and financial terms for the connection of generation plants to distribution and transmission grids, the Authority published Resolution 424/2016/R/eel, which updated the Integrated Grid Connection Code, introducing differentiated fees for low-capacity plants.

Resolution 788/2016/R/eel completed the regulatory framework for private grids (specifically, closed distribution systems and basic generation and consumption systems), updating the register of internal user grids and postponing the entry into force of the provisions of the Integrated Closed Distribution System Code (TISDC) from January 1, 2017 to October 1, 2017.

On December 10, 2015, the Competition Authority notified Enel SpA and e-distribuzione of the start of a penalty proceeding aimed at ascertaining the existence of a Group strategy intended to hinder the development of the market for consumption monitoring systems. On May 19, 2016 the Competition Authority order the publication of the commitments proposed by the two companies, thereby ruling that they were not manifestly unfounded. Following the market test, on September 8, 2016 the Competition Authority announced that it had closed the proceeding with no finding of violation or levying of a penalty, accepting the undertakings given by the two companies.

Energy efficiency - White certificates

Energy efficiency in final uses has been promoted in Italy mainly through the Energy Efficiency Certificate mechanism (TEE or white certificates) launched on January 1, 2005 in accordance with the provisions of the related decrees of July 20, 2004.

The mechanism requires the Ministry for Economic Development (MED) to determine the national energy savings targets that must be achieved each year by electricity and gas distribution companies.

With the decree of December 28, 2012, the MED established the energy savings targets for the 2013-2016 period. Distributors must demonstrate by May 31 of each year that they hold a number of white certificates equal to at least 50% (60% for years 2015-2016) of their obligation, with the residual obligation be covered in the subsequent years. The decree also set out the process for transferring management of the white certificate mechanism to the Energy Services Operator (GSE), while the Authority will remain responsible for determining the rate grant covering costs incurred by distributors under the new criteria set out in the decree. More specifically, the Authority provided for setting a provisional rate grant at the start of each year to be updated at the end of the year to take account of actual average prices registered on the white certificate market. With decision 11/ 2016 of June 16, 2016, the Authority set the definitive rate subsidy for 2015 equal to 114.83 €/TEE. The preliminary rate subsidy for 2016 was set at €118.37 €/TEE and will be revised based upon the final market price for the reference period.

Sales

Electricity

As provided for by Directive 2003/54/EC, starting from July 1, 2007 all end users may freely choose their electricity supplier on the free market or participate in regulated markets. Law 125/2007 identified these regulated markets as the “enhanced protection” market (for residential customers and small businesses with low-voltage connections) and the “safeguard services” market (for larger customers not eligible for enhanced protection services).

Free-market operators are awarded contracts to provide safeguard services on a geographical basis through three-year auctions. Enel Energia was awarded contracts to provide services to areas corresponding to the regions Veneto, Emilia Romagna, Friuli Venezia Giulia, Sardinia, Campania, Abruzzo, Calabria and Sicily for the 2014-2016 period. For the 2017-2018 period, following the competitive procedure governed by Resolution 538/2016/R/eel, Enel Energia was awarded the areas corresponding to the regions of Liguria, Piedmont, Valle d'Aosta, Trentino Alto Adige, Lombardy, Lazio, Puglia, Molise and Basilicata. The financial terms ap-

plied to end users were defined on the basis of the provision of the applicable primary and secondary legislation.

Enhanced protection service is provided by sellers connected with distributors. Prices are set by the Authority and are updated periodically based on criteria designed to ensure that the operators' costs are covered. More specifically, the Authority updates the component for covering the operators' costs in the enhanced protection market (RCV) annually so as to ensure that their costs are covered (operating costs, delinquency charges and amortization and depreciation) and that they receive a fair return on capital. Resolutions 659/2015/R/eel and 816/2016/R/eel established rates for 2016 and 2017.

In recent years, the Authority has adopted measures aimed at containing operators' credit risk, which has risen in recent years due in particular to the economic crisis.

In 2016, the Authority lent significant impetus to the development and implementation of the Integrated Information System (IIS). This system was established under Law 129/2010 and is designed to manage the flow of information between gas and electricity market operators, based upon a central database of withdrawal points.

With a number of measures, the Authority has governed various services, some of which are already active with others at the implementation stage. For example, the Authority has sought to gradually centralize the management of the commercial processes for contract transfer and switching for both sectors (electricity and gas) and the aggregation of metering at hourly withdrawal points for the purposes of monthly settlement.

Thanks to the development work carried out, the IIS is increasingly operating as a central hub for the exchange of information among all system operators, thereby facilitating the management of certain processes. In view of these characteristics, Ministerial Decree 94 of May 13, 2016 designated the IIS as the mechanism for managing the process of billing TV license fees through electricity bills.

In February 2015 the government sent Parliament the “Competition Bill”, which provides for the repeal of the temporary rules governing gas and electricity prices as from July 1, 2018. The bill, currently being considered in Parliament, assigns the Authority the task of drafting the measures to ensure provision of last-resort services to customers who were previously served in the safeguard market.

In order to define a reform of existing market mechanisms for customer protection, the Authority issued Resolution no. 369/2016/R/eel providing for the introduction, as from Janu-

ary 1, 2017, of the *Tutela Simile* contract for users who have not yet elected a supplier on the free market.

With Resolution 209/2016/E/com, the Authority, in implementation of Legislative Decree 130/2015, regulated mandatory conciliation as from January 1, 2017 for electricity and gas sales activities as a prerequisite for taking legal action in disputes between end users and operators.

With Resolution 463/2016/R/com, the Authority issued the new Integrated Code for invoicing retails sales services (TIF), amending and introducing new invoicing rules for delivering electricity to end users and for using metering data.

Gas

Legislative Decree 164/2000 established that, as from January 1, 2003, all customers may freely choose their natural gas supplier on the free market.

However, sales companies must also offer a safeguard service to their customers (only for residential customers pursuant to Decree Law 69 of June 21, 2013), together with their own commercial offers, at the regulated prices established by the Authority.

If there is no company supplying this service, the continuity of supply for small customers not in arrears on bill payments (residential and other uses with an annual consumption of less than 50,000 standard cubic meters) and for users involved in providing public services shall be ensured by the supplier of last resort. If the customer is in arrears with bill payments or it is not possible for the supplier of last resort to provide service, supply continuity is ensured by the default distribution supplier selected, like the supplier of last resort, through voluntary tenders for geographically-based contracts.

The public procedures carried out in September 2014 identified the suppliers of last resort for the period October 1, 2014 - September 30, 2016. Enel Energia was selected as supplier of last resort for 7 out of the 8 geographical areas covered by the auction (the Valle D'Aosta, Piedmont and Liguria area was awarded to Eni) and as default distribution supplier for 6 out of 8 areas (the Friuli Venezia Giulia and Emilia Romagna and Tuscany, Umbria and Marche areas were awarded to Hera Comm).

With Resolution 465/2016/R/gas, the Authority updated the rules governing public tenders for the award of last-resort services for the period October 1, 2016 - September 30, 2018. Following the auctions held in September 2016, Enel Energia was designated as supplier of last resort for 7 of the

8 areas involved in the auction (Valle d'Aosta, Piedmont and Liguria; Lombardy; Trentino Alto Adige and Veneto; Tuscany, Umbria and Marche; Abruzzo, Molise, Basilicata and Puglia; Lazio and Campania; Sicily and Calabria) and as default supplier in 3 areas out of 8 (Abruzzo, Molise, Basilicata and Puglia; Lazio and Campania; Sicily and Calabria).

Starting from October 1, 2013, the reform of the financial terms and conditions applied to safeguard customers entered force. In this situation, the Authority modified the procedures for determining the raw material component, indexing it fully to spot market prices, introduced components to ensure a gradual transition (including one specifically for the renegotiation of long-term contracts) and increased the component covering retail sales costs to enhance cost-reflectivity (QVD).

With regard to the raw material (gas) cost component, on January 24, 2014, the Regional Administrative Court of Lombardy, in the course of an action brought by Enel Energia and Enel Trade, voided the resolutions by which the Authority changed the formula for determining (and thereby reducing) the QVD component for the 2010-2011 and 2011-2012 gas years. On April 10, 2014, the Authority filed an appeal with the Council of State. On November 18, 2016, the Council of State denied the Authority's appeal, granting the appeal of Enel Energia and Enel Trade, finding the measures were in conflict with the statutorily established principle of the necessary "correspondence between recognized costs and actual costs".

With regard to the definition of the component covering natural gas supply rates, the Authority also confirmed the current procedures for the period October 1, 2016 - December 31, 2017, extending their application by three months over the gas year, with full indexing to the spot prices reported on the Dutch Title Transfer Facility (TTF), pending the development of greater liquidity in the Italian wholesale markets. With Resolution 312/2016/R/gas, on October 1, 2016, the Authority, in implementation of Regulation (EU) 2014/312, launched the new balancing system in order to increase the availability of flexible resources for system balancing and to improve the information available to users.

General industry-wide provisions

With Resolution 137/2016/R/com, the Authority for Electricity, Gas and the Water System (the Authority) replaced the Accounting Unbundling Consolidated Text issued with Resolution 231/2014/R/com (in force until 2015) with a new text, with consolidated provisions for the water sector (in force as from 2016).

In 2015, with its Resolution 296/2015/R/com, the Authority regulated the functional unbundling requirements for operators in the electricity and gas sector. More specifically, the Authority confirmed that companies must maintain a separation between the brand, other distinguishing marks (including the company name) and communication policies of distribution companies and those of the companies that sell power that operate within the same group. Separation must also be maintained between those companies that sell electricity on the free market and those that do so on the enhanced protection market.

Between April and July 2016 the Regional Administrative Court of Lombardy rejected the appeals lodged by Enel Distribuzione, Enel Servizio Elettrico and Enel Energia. In implementation of the court's ruling, Enel Distribuzione and Enel Servizio Elettrico modified their company name (and the associated brand) to "e-distribuzione SpA" and "Servizio Elettrico Nazionale SpA". The companies e-distribuzione, Servizio Elettrico Nazionale and Enel Energia appealed the ruling of the Regional Administrative Court before the Council of State, which on December 7, 2016 suspended the effects of the resolution with regard solely to the obligation for the separation of information channels, physical premises and personnel by January 1, 2017. A hearing on the merits of the case is scheduled for April 13, 2017.

With Resolution 327/2016/R/eel, the Authority extended the deadline for sales companies operating in the enhanced protection market and the free market to implement the separation of their brands, other distinguishing marks and communication policies provided for in Resolution 296/2015/R/com to January 1, 2017.

With Resolution 333/2016/R/eel, the Authority established rules to govern actual imbalancing in the period July 2012 - September 2014 following the rulings of the Regional Administrative Court of Lombardy and of the Council of State which had voided the previous rules.

With Resolutions 444/2016/R/eel and 800/2016/R/eel, the Authority reformed the rules governing imbalancing prices for calculating actual imbalances, providing for the application of a mixed single price/dual price system to consumption units and production units not authorized to participate in the Ancillary Services Market. The system provides for the application of the single price for imbalancing in a bracket equal to 15% of the binding withdrawal/delivery program. For unschedulable production units, the single price system will apply. The resolutions also establish the transition to a system for determining the sign of macro-

zonal imbalancing based on actual metering of imbalancing as from May 1, 2017. The entry into force of the measure is subject to the Authority's approval of a proposal from Terna for the algorithm for estimating that sign.

Renewables

The regulatory framework for supporting renewable energy technologies in Italy envisages a range of remuneration systems. Incentives for technologies other than photovoltaics are awarded through competitive procedures established with Legislative Decree 28/2011 transposing Directive 2009/28/EC and the associated implementing decree of July 6, 2012. The decree of July 6, 2012 establishes:

- > for plants that entered service by the end of 2012, the application of the green certificates mechanism, which uses certificates that can be traded in proportion to the electricity generated by a renewables plant, which remained in force until 2015. As from January 1, 2016 and for the remainder of the incentive entitlement period, the right to receive green certificates was replaced by a rate providing the same remuneration;
- > for plants entering service after January 1, 2013, under the provisions of the ministerial decree of July 6, 2012, the application, for plants with a capacity of more than 5 MW, of a lowest-bid auction mechanism differentiated by generation technology and, for plants with a capacity of less than 5 MW, entry in a register with specified priority criteria.

The above incentive mechanisms will terminate when the indicative cumulative annual cost of the incentives reaches €5.8 billion. At November 30, 2016, the indicative cumulative annual cost was €5.418 billion.

With regard to solar generation, the incentive system provided for the application of a number of Energy Accounts, of which Accounts I, II, III and IV (from September 19, 2005 to August 26, 2012) were based on a feed-in premium (a rate premium over the hourly zonal price), while Energy Account V (from August 27, 2012) was based on a feed-in tariff (comprehensive price) and was terminated once a cost of €6.7 billion was reached on July 6, 2013.

Ministerial Decree governing renewable generation technologies other than photovoltaic system of June 23, 2016

On June 23, 2016, a new decree for incentives for renewa-

ble resources other than photovoltaics was published. The decree is a transitional measure (for 2016 only) that is based on the approach adopted in the decree of July 6, 2012. It provides for competitive mechanisms for access to incentives, such as auctions for plants with a capacity of more than 5 MW (which were completed at the end of 2016) and registers for plants with a capacity of up to 5 MW.

Iberia

Spain

Remuneration of distribution

On March 31, 2016 the Ministry for Industry, Energy and Tourism initiated the procedure for the introduction of a new ministerial order that will establish the remuneration of distribution activities for 2016, in accordance with the provisions of Order IET/2735/2015. Temporarily, the remuneration for 2015 will be retained until the new order is approved.

That order (IET/980/2016) was published on June 16, establishing the remuneration for distribution activities for 2016. Endesa was allocated a remuneration of €2,014 million. In addition, the incentives for service quality and non-technical losses for Endesa were set at €7 million and €2 million respectively. That order also sets the base remuneration for the first regulatory period from January 1, 2016 to December 31, 2019.

Social Discount

On September 10, 2016, Order IET/1451/2016 was published, specifying the percentage allocations of the cost of financing the Social Discount for 2016. Endesa will bear 41.10% of the cost.

On October 24, 2016, the Supreme Court ruled that the system for funding the Social Discount was void as it was incompatible with Directive 2009/72/EC.

On December 24, 2016, Royal Decree Law 7/2016 was published, governing the funding mechanism for the Social Discount and other measures protecting vulnerable consumers. Under the provision of the law, the Social Discount covers the difference between the price for residential consumers (PVPC) and a base value, which can be diversified by category of vulnerable consumer and will be called the

rate of last resort, which will be charged by the seller in utility bills to eligible consumers.

The Social Discount will be financed by the sales companies or the holding company for vertically integrated organizations. The percentage allocation of costs to finance the Social Discount will be determined annually by the Competition Authority (CNMC) and will be proportionate to the number of customers. On a temporary basis, Endesa was to fund 37.67% of the funding costs.

Royal Decree Law 7/2016 must be ratified by a Royal Decree within three months of publication.

Energy Efficiency

Order IET/359/2016 of March 17, 2016 charged Endesa with a contribution to the National Energy Efficiency Fund of €29.7 million, corresponding to the energy savings obligations for 2016.

Sales margin incorporated in voluntary price for residential customers (PVPC)

On November 25, 2016, Royal Decree 469/2016 was published, establishing the method for setting the sales margin of the voluntary price for residential customers, thereby implementing a number of rulings issued by the Supreme Court voiding the margin set on the basis of the provisions of Royal Decree 216/2014.

On December 24, 2016 Ministerial Order ETU/1948/2016 was published, establishing, as from January 1, 2017, the value of the sales margin of the PVPC for 2014, 2015, 2016 and for the future.

Electricity rates for 2017

On December 29, 2016, Order ETU/1976/2016 was published, establishing electricity access rates for 2017. The existing rates were left unchanged.

Natural gas rates for 2017

On December 23, 2016, Order ETU/1977/2016 was published, establishing the natural gas access rates for 2017. In general, the existing rates were left unchanged, with the exception of the updating of the rate of last resort (TUR), which was reduced by an average of 9% as a result of the decline in the price of raw materials.

Renewables

In the final months of 2015 the criteria for awarding incentives to new renewable energy plants were defined, in line with the new regulatory framework. This voided the moratorium imposed with Royal Decree Law 1/2012. The criteria, which provide for the award to be made through an auction system, had already been envisaged in the new law on electricity supply, although the details of application had not yet been specified. These were defined with Royal Decree 947/2015, Ministerial Decree IET/2212/2015 and the resolution of November 30 of the Secretary of Energy. The first auction, scheduled for January 14, 2016, involved 500 MW of wind capacity and 200 MW of biomass. For wind projects, the auction was completed successfully without incentives, while for biomass projects the only incentive awarded was that linked to the operating costs of the plants (the Ro component). Enel Green Power España, which participated in the auction for the award of wind capacity, was not awarded any project.

The new Spanish Government was formed in October with the appointment of Mariano Rajoy as Prime Minister, after 10 months of an interim Government. The new Secretary of Energy was appointed on November 15. Following the appointment, two important bills were drafted for renewables; the first regarded the revision of the remuneration parameters for 2017-2019 and the second a new royal decree and ministerial decree regarding the auctioning of 3,000 MW in 2017.

In October 2016, a new project for the drafting and application of the Grid Code was begun, an important step for the integration of renewable resources.

Morocco

Renewables

In February 2016, the Government endorsed bill 58 of 2015 amending a number of aspects of Law 09/2013. The bill allows renewables generators to also access low-voltage grids. The specific conditions for doing so will be specified and regulated subsequently. The bill also regulates aspects concerning the delivery of excess renewable electricity to the high-voltage grid.

On June 9, 2016, Law 48/2015 was published in the official journal. It organizes the electricity market and creates a new electricity regulator (ANRE). The new regulator will have to set electricity transport and distribution rates and eliminate discrimination in access to electricity transmission grids.

On June 24, 2016 the Government approved three decree laws that primarily reformed the operation of the Moroccan Agency for Solar Energy (MASEN). The decrees must now be approved by the two houses of the Moroccan Parliament. In the future, MASEN will replace the national utility ONEE in supervising renewables activities in Morocco, with the exception of renewables plants operated by private citizens (Law 13/2009) and pumping stations (STEP). In short, the reform transfers activities and duties from ONEE to MASEN. With the new changes, the ADEREE public agency will focus on energy efficiency issues.

In the 3rd Quarter of 2016, three new laws were published that modify the functions of a number of major energy regulatory agencies in Morocco:

- > Law 37/2016, which amends Law 57/2009, providing for the reform of MASEN, renaming the agency the “Moroccan Agency for Sustainable Energy”. The Agency will be involved in developing the generation of electricity from all renewable resources (wind, solar, water) with objectives set by law (it will have to build new plants with a total capacity of 3,000 MW by 2020 and 6,000 MW by 2030). Private investors will be able to develop renewable energy plants in application of Law 13/2009;
- > Law 38/2016, which amends Article 2 of *Dahir* 1-63-226, providing for the removal of all functions involved with renewable energy generation from ONEE, with the exception of so-called STEPs and renewables projects within the scope of Law 13/2009, and transferring all production assets (ER) and part of the employees of ONEE to MASEN (within a maximum of five years);
- > Law 39/2016, which amends Law 16/2009, providing for the transfer of all ADEREE responsibilities concerning renewable energy generation to MASEN. ADEREE will essentially be responsible solely for energy efficiency and will change its name to “*Agence Marocaine pour l'Efficacité Énergétique*”.

Europe and North Africa

Russia

Capacity market and capacity payments

On June 27, 2016, Government Decree 563 was published, amending the calculation method used to determine capacity payments (DPM) that will ensure accurate determination of those payments for 2017 and beyond.

On July 25, 2016, the terms of participation in capacity market auctions were revised to permit demand to access the mechanism through the reduction of consumption.

The most recent capacity auctions (results published on September 20, 2016) set the parameters (price and quality) for 2020.

Government Decree 1458 of December 23, 2016 retained the coefficients for penalties for the lack of availability at the minimum levels for 2017 as well.

Renewables

With Government Decree 850 of May 10, 2016, the following changes were made to the regulations governing renewables:

- > the incentive system for photovoltaic installations and small hydro systems was extended to 2024 (from 2020);
- > the capacity volume targets for solar and small hydro, which were not selected for previous auctions (2013-2015), were achieved and reallocated until 2024 (85.8 MW for solar and 168 MW for small hydro);
- > the total volume target was kept at the initial level (5,871 MW).

On June 14, 2016 the final results of the auctions for investment in renewable resources for 2016-2019 were announced, with the award of projects for wind plants only.

On September 29, the Government Decree on state compensation for the connection of renewable resource plants or peat-fired plants to the grid was published. The rules, which apply to plants with an installed capacity of up to 25 MW, establish that compensation may not exceed 70% of the grid connection cost or in any case 15 million rubles per plant.

Antitrust regulations

On July 5, 2016, the Federal Antimonopoly Service (FAS)

issued an official warning for T Plus to cease its unfair practices against Enel Russia in the heat market. More specifically, the warning requires T Plus to enter into a heat supply contract with Enel Russia for the SuGRES plant in Yekaterinburg.

Heat market

With a decree of December 1, 2016, the Government established more stringent rules for Unified Heat Supplier (UHS) in the event of non-compliance with deadlines for payment to other suppliers and for network services. More specifically, UHS will lose its supply license if it fails to pay suppliers for two consecutive billing periods as well as in the event of repeated violation of other contractual terms. Any violation must nevertheless be certified by a court or the FAS.

Romania

Recognition of distribution investments in rates

In March 2016, ANRE approved a new procedure for recognizing investments for rate purposes, which will enter force in 2017 and in 2016 will serve as a recommendation for distributors.

The procedure establishes: (i) no recognition of inefficient investments; (ii) no recognition of costs for the works that exceed 10% of budgeted costs; and (iii) the possibility of modifying the annual investment plan by a maximum of 10% once it has been submitted.

Rates of last resort

According to the calendar for the liberalization of regulated rates for residential customers, the percentage of electricity that suppliers of last resort must purchase on the free market will be 80% in the 1st Quarter of 2017 and 90% in the 2nd Quarter of 2017.

Distribution rates for 2017

In December 2016, ANRE published distribution rates for 2017, equal to an average of 98.6 lei/MWh, down about 8% compared with distribution rates in 2016.

Smart metering

As part of the smart metering pilot project, at the end of 2016 110,000 meters had been installed. The results of the pilot project were transmitted to ANRE, which is preparing a cost-benefit analysis for approval of the mass roll-out project for 2017-2020.

Rebranding of distribution companies

On August 16, ANRE sent electricity distribution companies a letter containing the minimum measures distributors must implement with regard to rebranding.

Between October and December 2016, Enel notified ANRE that it had adopted a new name and logo for its distribution companies in Romania and modified the corresponding licenses.

Renewables

The main form of incentive in Romania for all renewable energy resources is the green certificates system. The only exception regards hydroelectric plants with a capacity of more than 10 MW, which are not eligible for any incentive mechanism. Sellers are required to purchase a specified share of renewable energy each year through the purchase of green certificates on the basis of annual targets set by law for the share of gross generation from renewables. Each year, the Romanian regulator publishes the mandatory share, recalculated to balance supply and demand. The value of the green certificates varies on the basis of coefficients that differ by generation technology. More specifically, these are 2 green certificates per MWh of generation from biomass, geothermal and wind until 2017 (after 2017, 1 green certificate), 6 green certificates per MWh of generation from photovoltaic, and 3 green certificates per MWh of generation from hydroelectric for new plants. The price of the green certificates is determined by law within a specified range (cap & floor). Sellers are subject to penalties in the event of non-compliance.

The ordinance EGO 57/2013 temporarily modifying the green certificate system established the temporary suspension (from July 1, 2013 to March 31, 2017) of trade in part of the green certificates due to renewables generators (1 green certificate per MWh for wind and mini-hydro and 2 green certificates per MWh for photovoltaic). Trading in the deferred green certificates could gradually resume after April 1, 2017 for photovoltaic and mini-hydro and after Janu-

ary 1, 2018 for wind, continuing until December 2020. The Government is preparing a new program for the resumption period, however, which could be postponed until 2018-2025 for wind plants and 2025-2030 for photovoltaics. On December 30, 2016 the Government published the share of subsidized renewables energy for 2017, which was equal to 8.3%. The previous year that share was 12.15%.

Greece

Renewables

The Greek incentive system uses a feed-in tariff differentiated by renewable energy resource. In the 2012-2014 period, a range of measures were introduced to reduce the system deficit, decreasing incentives. Based on the 2014-2020 guidelines on state aid, a new renewable energy resource support mechanism, based on feed-in premiums and tenders, entered force on January 1, 2016, replacing the existing system. The definitive scheme was approved by Parliament on August 9, 2016 (Law 4414/2016).

The Wholesale Electricity Market and the Capacity Assurance Mechanism (CAM) are undergoing reform. While the reform of the wholesale market should be completed by December 2017 and that of the imbalancing market by June 2017, in May 2016 a temporary model for the CAM (based on four pillars: capacity availability, flexibility, strategic reserve and demand-side response) was approved by the Greek Parliament. The temporary system will be replaced by a permanent mechanism that should enter force in 2017.

Bulgaria

Renewables

The Bulgarian incentive system is mainly characterized by a feed-in tariff differentiated by resource. The mechanism is open to onshore wind plants, photovoltaic plants, hydroelectric plants with a capacity of less than 10 MW and biomass plants with a capacity of less than 5 MW.

Between 2012 and 2014 many regulatory changes were introduced, including a local tax of 20% (later voided by the courts), an access fee and limitations on subsidized production. All of these were intended to reduce the system deficit created by the incentives.

Turkey

Renewables

The Turkish renewable energy system provides for a feed-in tariff mechanism denominated in US dollars, guaranteed for 10 years, with the option of transferring to the open market each year until 2020. If local components are used in construction, the system establishes a further five years of guaranteed incentives.

On May 1, 2016, the national regulatory authority (EMRA) modified the legislation governing the incentive mechanism with regard to the exemption from participation in the balancing market.

On June 17, 2016, the Parliament approved amendments to the Energy Act, including a change in the tender mechanism for renewables.

On October 9, 2016 the Regulation on Renewable Energy Resource Areas (RERA Regulation) was published in the official journal. It governs the special Renewable Energy Resources Areas (RERAs), allowing the granting of licenses, for these areas, to install renewable resource plants without having to wait for approval from the Council of Ministers.

Germany

Renewables

Three support mechanisms are in place:

- > a feed-in tariff, applicable for plants in differing amounts depending on the date of entry into service;
- > a feed-in premium, calculated as the difference between the "applicable value" (ct/kWh) for each form of renewable energy and the monthly average electricity price;
- > auctions.

The new RES law (EEG), which entered force in January 2017, replaces the feed-in tariff with a system of auctions for most renewables technologies. Offers will specify an amount of installed capacity each year in order to foster new lines of growth, which are: a) for onshore wind plants, 2.8 GW per year for 2017-2019 and 2.9 GW per year after 2020 (repowering included); b) for offshore wind plants, 15 GW by 2030. Two offers are planned for 2017 and 2018 of 1.55 GW each; c) for photovoltaic plants, 2.5 GW per year, of which 600 MW in auctions.

Latin America

The Group operates in Latin America in Argentina, Brazil, Chile, Colombia and Peru. Each country has its own regulatory framework, the main features of which are described below for the various business activities.

Under the regulations established by the competent authorities (regulatory authorities and ministries) in the various countries, operators are free to make their own decisions concerning investment in generation. Only in Argentina, following the change in energy policy in recent years, is there a regulatory framework that envisages greater public control of investments. In Brazil plans for new generation capacity are imposed by ministerial order, and this capacity is developed through auctions open to all.

All of the countries have a centralized dispatching system with a system marginal price. Usually, the merit order is created based on variable production costs that are measured periodically, with the exception of Colombia, where the merit order is based on the bids of market operators.

Currently in Argentina and Peru, regulatory measures are in place governing the formulation of the spot market price. In Argentina, the measure, adopted in 2002 following the economic and energy crisis that affected that country, is based on the assumption that there are no restrictions on the supply of gas in the country. Nevertheless, in view of the current financial challenges faced by the wholesale market, the Government has announced its intention to modify the existing regulatory framework and, in 2013-2014, develop an electricity market based on a cost-plus model.

Long-term auction mechanisms are widely used for wholesale energy and/or capacity sales. These systems guarantee continuity of supply and offer greater stability to generation companies, with the expectation that this encourages new investments. Long-term sales contracts (up to 30 years) are used in Chile, Brazil, Peru and Colombia. In Brazil, the price at which electricity is sold is based on the average long-term auction prices for new and existing energy. In Colombia, the price is set by auction between the operators, which usually enter into medium-term contracts (up to four years). Finally, a regulatory framework recently introduced in Chile and Peru allows distribution companies to sign long-term contracts to sell electricity on regulated end-user markets. Auctions are gradually replacing the practice of regulators setting a nodal price for supplying electricity to regulated customers.

Chile, Peru and Brazil have also approved legislation to en-

courage the use of unconventional renewable resources, which sets out the objectives for the contribution of renewable resources to the energy mix and governs their generation.

Distribution and sale

Distribution is performed mainly under concession arrangements, using long-term contracts (ranging from 30 to 95 years or in some cases with unspecified terms), with regulations governing prices and network access. Distribution rates are revised every four years (Chile, Peru and the region of Brazil served by Coelce) or five years (Colombia and the region of Brazil served by Ampla). As a result of the *Ley de Emergencia Económica* (the economic emergency law) of 2002, no rate reviews have yet been conducted in Argentina, despite rules mandating such revisions every five years. In Chile, Brazil and Peru, distribution companies hold auctions to procure electricity for regulated market customers, while in Colombia sales companies negotiate prices directly with generation companies, passing through the average market price to end users. In general, all countries have implemented a remuneration approach based on the RAB and a rate of return tied to the WACC, which ensures remuneration of the capital employed. The liberalization of the end-user market is generally at a fairly advanced stage, though not yet complete. Eligibility thresholds are set at 30 kW in Argentina (20% of volumes in 2010), 3 MW in Brazil (30% of volumes), 0.3 MW in Chile (40% of volumes), 0.1 MW in Colombia (35% of volumes in 2010) and 0.2 MW in Peru (44% of volumes). Free-market customers can sign bilateral contracts with generation companies for electricity. The regulatory authorities set the rates for regulated market customers.

Limits on concentration and vertical integration

In principle, existing legislation permits companies to take part in a variety of activities in the electricity sector (generation, distribution, sales). Usually, greater restrictions are imposed on participation in transmission activities so as to ensure that all operators have adequate access to the network. There are special restrictions on generation and distribution companies holding stakes in transmission companies in Argentina, Chile and Colombia. Furthermore, in Colombia companies formed after 1994 may not adopt or maintain a vertically-integrated structure.

As to concentration within the industry, Argentina, Brazil

and Chile have not set any specific restrictions on vertical or horizontal integration, while in Peru business combinations require prior authorization above certain thresholds. In Colombia, no company may control more than 25% of the generation and sales markets, while in Brazil, as previously mentioned, there are no explicit restrictions on integration in the electricity sector, although administrative authorization is required for business combinations that would result in market share of over 40%, or that involve a company whose annual turnover exceeds R\$400 million (about €177 million).

Argentina

Rate revision and other regulatory developments in Argentina

On January 27, 2016, *Resolución 06* of the *Ministerio de Energía y Minería* was published. It approves quarterly summer reprogramming until April 2017 for the wholesale electricity market, to be carried out on the basis of new criteria that in determining the price take account of (i) the effective cost of electricity adjusted for subsidies; (ii) new price schemes that differ for each type of residential customer on the basis of the capacity for consumption savings and (iii) a new social rate. The resolution is an important step towards the reconstruction of the entire value chain and the associated payment cycle for the electricity market.

Following that resolution, on January 28, 2016, *Resolución 07* of the *Ministerio de Energía y Minería*, expressly targeted at the distribution companies EDESUR SA and EDENOR SA, instructs ENRE to exercise its power to increase rates, preliminary to the upcoming *Revisión Tarifaria Integral* (RTI), applying the above transitional rate regime for those two distribution companies. In addition, it terminates application of the PU-REE and introduces a new social rate for all customers. It also establishes a deadline of December 31, 2016 for the definition of the RTI.

The new administration intends to return to the fundamental principles that inspired Law 24065 of 1991 and to normalize the electrical sector as requested by industry operators.

On January 29, 2016, ENRE therefore issued:

- > *Resolución 1/2016*, which contains a new rate framework to apply to each category of customer as from February 1, 2016, and rules governing supply, which now provides for monthly invoicing;
- > *Resolución 2/2016*, which provides for the closure of the FOCED as from January 31, 2016 and establishes a new

system for funds received in application of *Resolución* ENRE 347/12. More specifically, those funds will no longer be managed by a trust, instead being deposited them in a current account held with a banking institution recognized by Argentina's central bank.

On March 30, 2016, the Argentine Secretariat of Electricity (SEE), which reports to the *Ministerio de Energía y Minería*, issued Resolution 22/2016 updating the rates set with Resolution 482/2015, which would be applied as from February 2016. The increases regarded the remuneration of the fixed costs of thermal generation units (+70%) and hydroelectric plants (+120%), while the remuneration of variable costs was increased by 40% for both generation technologies. The rates for the non-recurring maintenance component were increased by 60% and 25% for thermal and hydroelectric plants respectively, while the additional remuneration was left unchanged. In any event, the resolution is to be considered a temporary measure pending the new regulatory framework for the sector to be announced by the Government.

Development of new thermal generation capacity

On March 22, 2016, SEE Resolution 21/16 invited interested parties to submit bids for new thermal generation capacity until the summer of 2018. The tender is not open to units in existence prior to the publication of the resolution, units already connected to the Argentine interconnection system (SADI) or for which the power generated is already committed under other executive agreements.

The contract provided for in the resolution may have a duration of between five and 10 years with CAMMESA in representation of the operators of the *Mercado Eléctrico Mayorista* (MEM), with remuneration for capacity to be set in US dollars/MW/month and for power generated in US dollars/MWh, with the price differentiated by type of fuel. The disbursement and recognition of the cost of fuels will be carried out using existing procedures. Minimum capacity thresholds have been set for each grid connection point. On September 14, the results of the auction of new thermal generation capacity were published in the official journal, with the award of 1,915 MW. The capacity bids are staggered in time: 545 MW to enter service by December 2016; 685 MW by March 2017; 229 MW by June 2017 and the remaining 456 MW by 2018.

On November 16, 2016, with Resolutions SEE 420-16 and 455-16, the SEE convened those interested in developing infrastructure projects that help reduce costs in the electricity

market and increase the reliability of the Argentine electrical system.

Brazil

"Bandeiras Tarifárias" update

On February 1, 2016, the highest generation costs classes, "Yellow" and "Red", were subdivided into additional classes. In any event, developments in water conditions in the period, which returned reservoirs to acceptable levels, gave rise to the repositioning of the "*Bandeiras Tarifárias*" to level "Yellow" in March 2016 and "Green" in April 2016. The mechanism, which provides for the application of an extra-cost differentiated by class of generation cost representing progressively worse conditions (Green, Yellow and Red) to be billed to end-users without having to wait for subsequent rate revisions, took effect at the start of 2015 in response to the increasingly large divergence between costs recognized in rates and effective costs, partly due to the continuation of drought conditions.

Conta de Desenvolvimento Energético (CDE)

Created with Law 10438/2002, the CDE is a government fund designed to foster the development of generation from alternative energy sources, promote the globalization of energy services and subsidize low-income residential customers. The fund is financed with a surcharge levied through rates for consumers and generators.

On December 15, 2015, ANEEL launched a public consultation with system operators to define the CDE's provisional 2016 budget.

ANEEL's initial proposal was to reduce the rate surcharge for the CDE by 36%, taking account of the fact that the substantial reduction in the cost of fuels, which had already begun in 2015, had not been promptly reflected in reductions in the rate surcharges in 2016.

Resolution 1.576 authorized distribution companies to offset the reduction in amounts billed (following application of the court ruling upholding the demand of certain appellants to be charged a lower CDE rate surcharge) in monthly installments. The difference between the normal rate and that established in the court ruling will be recovered by the distribution companies through smaller monthly payments to the fund.

Personnel sharing and contracts between related parties

On January 28, 2016, ANEEL approved new rules for sharing personnel and infrastructure among companies belonging to the same group and for approving contracts between related parties. The rules envisage the following measures:

- > the sharing of personnel and administrative infrastructure between companies of the same group is permitted even if they operate in different segments (e.g. generation, distribution, transmission, sales and holding companies);
- > contracting with personnel must evaluate the various possible approaches and contractual forms, taking care to select the most beneficial in financial terms. Contracts for the provision of services, which must comply with the principle of economic, financial, administrative and operational separation of the companies involved, may have a maximum duration of five years and can be renewed upon request if justified on economic grounds;
- > approval of contracts between related parties must comply with the new rules set by ANEEL, which is also responsible for monitoring compliance with the specified limits.

Portaria 237

On June 6, 2016, the Minister of Mines and Energy ("MME") signed *Portaria* 237, which allows electricity distribution companies to ask the ministry for investments in high-voltage grids and substations to be classified as high priority. Such classification makes it possible to issue bonds for infrastructure projects, which are long-term financial liabilities with longer maturities than standard bonds and which also give issuers tax benefits.

Provisional Measure 735

Provisional Measure 735 of June 22, 2016 (subsequently ratified with Law 29/2016 on October 20, 2016) established the following in relation to additional system charges:

- > as from January 1, 2017, the Chamber of Commercialization of Electrical Energy (CCEE) will replace Eletrobras as the company charged with collecting the following "Encargos Setoriais": RGR, CDE and CCC, and with the administrative management and operation of the associated sectoral funds;
- > as from January 1, 2030, the allocation of the annual CDE charges will be proportionate to the power transported on the distribution and transmission grid of each operator in MWh. The geographical area and region served will no

longer be taken into consideration;

- > between January 1, 2017 and December 31, 2029, procedures will be established for the gradual and uniform reduction and final elimination of the existing allocation criteria;
- > ad hoc remuneration for investments in modernizing the distribution network;
- > greater flexibility for quality and grid loss targets for power distribution concession holders in the case of severe socio-economic conditions, extreme environmental events or challenging operating conditions due to mass theft of electricity.

Renegotiation of Ampla concession

On August 10, 2016, Ampla, in the wake of the impact of the economic crisis in Brazil on electricity consumption, especially in the state of Rio de Janeiro, petitioned ANEEL to modify a number of terms of its concession contract with a view to bringing forward the rate revision to March 2018 rather than 2019, and to ease the grid loss reduction and service quality improvement obligations. ANEEL called a public hearing for the end of October. Interested parties may submit comments in the 30 days following the hearing and at the end of 2016 a new concession agreement contract should be signed. The amendments would only regard certain financial terms of the agreement, not the expiry date of the concession.

White rate

On September 12, 2016, ANEEL approved regulation no. 733/2016 establishing the conditions for applying the new hourly rates for low-voltage power, the so-called white rate. The white rate is a new hourly rate option that changes depending on the time of day and will differ on the basis of the consumption level of each customer as from 2018. Initially, the new rate will apply to consumers with low-voltage connections (127, 220, 380 or 440 V, group B) and new customers. As from January 2020, it will be an option for any consumer, with the exception of those who already benefit from certain preferential rates.

Renewables

The incentive system for renewable energy in Brazil was created in 2002 with the implementation of a feed-in mechanism (PROINFRA), and was then harmonized with the sales system for conventional power using competitive auctions. The system envisages different types of auction depending

on whether participation is reserved to new plants or existing plants and primarily comprise:

- > *Leilão de Fontes Alternativas*, reserved to renewable wind, biomass and hydroelectric technologies up to 50 MW;
- > *Leilão de Energia de Reserva*, for which all projects that will enter operation within three years of the date on which the auction is held are eligible. These auctions are normally organized to increase reserve capacity and/or promote the development of certain technologies (such as renewables).
- > *Leilão de Energia Nova*, for which all projects that will enter operation more than three years after the date on which the auction is held are eligible (in 2016, the period for entry into service was extended from five to seven years).

An auction typically has two phases: the descending-clock phase in which the auction organizer establishes the opening price for the auction and the generators submit decreasing bids; and the pay-as-bid phase in which the remaining generators further reduce the price until the supply of power covers all the demand up for auction. The winning bidders are granted long-term contracts whose term varies by resource: 15 years for thermal biomass plants, 20 years for wind plants, 25 years for solar plants and 30 years for hydroelectric plants.

In 2016, as a result of the continuing recession, the country found itself with excess electricity supply, which forced the Government to implement measures to reduce the excess contractualized power of local distributors. More specifically, the calendar of auctions in 2016 was revised, distributors were no longer required to renew expired contracts and bilateral agreements were permitted for the temporary partial and full reduction of PPAs signed in auctions carried out in previous years.

In November, the President approved Law 13.360 which introduced a series of amendments in the regulatory framework for the electricity sector, including:

- > the authorization of distributors to sell, on the free market, any excess power available under contracts signed previously for the supply of customers on the regulated market;
- > the elimination of the obligation to renew hydroelectric concessions for plants with a capacity of less than 50 MW through participation in a dedicated auction (renewal will now only involve the payment of a fee);

- > the payment of an indemnity to hydroelectric generators in the case of generation shortfalls as a result of the dispatching of thermal plants outside the market merit order;
- > an increase in the number of years in advance that power supply auctions can be called from five to seven.

Chile

Electricity distribution

Enel is promoting a demonstration project to install 50,000 smart meters in 2016, with the ultimate goal of replacing all existing meters (about 1.6 million) by 2020.

This investment will be recognized by Chile's regulator (CNE) if it recognizes the legitimacy of including the cost of the operation in the *Valor Agregado de Distribución*.

In this regard, on September 5, Chilectra presented the CNE with a study prepared by Systepile to define the cost components of the VAD with a view to setting the rates that will enter force on November 4, 2016.

At the same time, Chile's Parliament approved the "*Ley de equidad tarifaria*", which modifies the rate structure in areas where generation plants are located in order to equalize these areas with the urban areas where greater economies of scale can be achieved.

The "*Ley de transmisión eléctrica*" achieved the objective of unifying the various electricity dispatching centers in the country, as well as eliminating the payment of transmission charges by generators and passing them on to society as a whole through rates.

Renewables

Chile has a system mandating achievement of specified renewable energy targets for those who withdraw power for sale through distributors or sales companies. The law sets two different targets based upon the date the contract is signed:

- > for all power under contract between August 31, 2007 and June 30, 2013, renewable resources are to account for 5% of the electricity starting from 2014, an amount that will increase by 0.5% per year to reach a share of 10% by 2024;
- > for all contracts signed starting from July 1, 2013, Law 20698 of 2013 sets a target of 20% by 2025 to be achieved by gradually raising the initial share of 6% in 2014.

All renewable energy resources are eligible for the purposes

of meeting the requirement. For hydroelectric plants with a capacity of up to 40 MW, the system provides for a corrective factor which counts all of the first 20 MW and a declining proportion of the capacity between 20 and 40 MW. The mechanism also establishes penalties for failure to achieve the mandatory share.

In May 2014, the country's new Energy Agenda was presented by President Michelle Bachelet, setting out the primary energy policy targets, the next regulatory steps to be taken and the plan of investments that the Government intends to make in its next term. Specifically with regard to renewables, the Agenda confirms the target of 20% of power under contract by 2025 and introduces an additional target that 45% of new capacity to be installed between 2014-2025 be supplied by renewable power plants. As part of the Agenda, in February 2016, the Ministry of Energy published "*Energía 2050: Política Energética de Chile*" setting out guidelines for the long-term growth of the sector.

On July 20, 2016 the new Transmission Act was published and in August the second-level regulation process officially began. According to the Government's calendar, the process will be completed in July 2017, with a preliminary consultation phase involving all of the industry's main companies for the purposes of drafting the final documents. In addition to introducing a single system operator, the new law assigns a central role to planning the expansion of the transmission system and gradually transfers the transmission costs from generators to end users.

Peru

Electricity distribution

The recently installed Peruvian Government approved rules giving free-market customers and distributors access to the spot market.

On July 24, the implementing regulations for Legislative Decree 1221 were approved, governing the following issues:

- > ZRTs (technical responsibility zones): in the next six months, the Ministry of Energy will define the ZRTs, which will be open for comment by distribution companies;
- > the VAD surcharge for investment, operations and maintenance for technological innovation in distribution grids, including digital meters, which will become property of the local distribution grid;
- > definition of a rate adjustment factor on the basis of the SAIDI and SAIFI values set by Osinergmin, Peru's electricity regulator.

New regulations for the wholesale market

On July 24, 2016 the Ministry of Energy and the Electricity Market published *Decreto Supremo* 018-2016-EM, followed on July 28, 2016 with the publication of *Decreto Supremo* 026-2016-EM to modify the regulations governing the wholesale electricity market (MME). The main changes introduced by the measures regard the following:

- > the approval of the rules for the short-term MME, called the *Mercado de Corto Plazo* (MCP);
- > operational mechanisms, procedures for the assignment of ancillary services, operational rigidities and procedures for the assignment of benefits in the case of congestion.

Entities authorized to operate on the MCP are:

- > generation companies, to meet the requirements of their supply contracts;
- > distribution companies to meet the demand of their free-market customers up to a maximum of 10% of total demand; and
- > large-scale customers to meet up to a maximum of 10% of their total electricity demand.

The Committee for the Economic Activities of the National Interconnection System (COES) will calculate the marginal costs of electricity and congestion, setting a provisional value on a daily basis for market transactions, with the results accessible on the COES web portal. Indemnities for congestion will be divided among all participants on the basis of the provisions in the rules. Penalties will also be levied for entities that do not meet their payment obligations.

Renewables

The Peruvian renewables incentive system, introduced with Legislative Decree 1002 of 2008 (*Decreto Legislativo de Promoción de la Inversión para la Generación de Electricidad*), is a system of competitive auctions open to all renewable generation technologies (with the sole exception of hydroelectric plants, which are eligible up to a limit of 20 MW), usually differentiated by resource at the time of the publication of the associated decree by the ministry.

The auctions provide for a maximum bid price and a pay-as-bid mechanism. The winning renewables plants also benefit from dispatching priority and a variety of tax incentives, including accelerated amortization and early reimbursement of sales taxes. In May 2016 the fourth auction for renewables generation was completed with the signing of long-term PPAs, with a view to achieving the target of 5% for 2018.

Colombia

Electricity distribution

On March 14, 2016 the Energy and Gas Regulatory Commission (CREG) defined a method for the remuneration of distribution activities. The regulator focuses on the definition of a new regulatory framework that would reduce the asset base, as recognized for rate purposes by 20% (about 1 trillion Colombian pesos). This could slow technological development and discourage the investment the country needs to expand and restructure grids and improve service quality.

The Enel Group is ready to expand its participation in distribution activities, such as the privatization of state distribution companies (Meta, Huila, Caqueta, among others).

Uruguay

Renewables

The country's energy policy is guided by the 2005-2030 National Energy Policy, approved by the Government in order to reduced Uruguay's energy dependency and encourage investment in the energy industry. The policy sets out a series of short, medium and long-term objectives, including a goal of achieving 15% of generation from non-conventional renewables by 2015 (the target was achieved).

The success of the "Uruguayan wind revolution" led the country to an installed capacity of 1 GW as of September 2016, well over the national target.

As regards market access, private operators can participate in auctions called by the Government, normally differentiated by generation technology, for the award of long-term contracts for the sale of electricity to the national distributor UTE.

North and Central America

United States

Federal level

In November 2016, Republican Party nominee Donald Trump was elected President and Republicans retained control of both the House of Representatives and Senate. The incoming Trump Administration will appoint new leadership of federal departments and agencies, including the Environmental Protection Agency (EPA), Department of Energy (DOE), and Department of Interior. The incoming President will also appoint new commissioners to the Federal Energy Regulatory Commission.

The new Administration is expected to reconsider, rescind, or otherwise pullback the Clean Power Plan, EPA's 2015 proposal to regulate greenhouse gas emissions from fossil-fired power plants. That regulation is currently undergoing legal challenge before the D.C. Circuit Court. The US Congress is also expected to consider comprehensive tax reform. The existing timeline for renewable energy tax credit qualification is expected to remain stable. Changes or decreases in the corporate tax rate or depreciation schedules could affect a range of infrastructure investments (including renewables, which could see hits to project economics in some scenarios).

In December 2016, the US Fish and Wildlife Service (US-FWS) published updated finalized regulations for incidental take of eagles. The revisions intend to create a more efficient permitting framework and to support implementation of mitigation measures that avoid and minimize, and compensate for, adverse impacts from otherwise lawful activities.

State level

On December 27, 2016, the Massachusetts Department of Energy Resources announced its intention to implement an energy storage target for electric companies, requiring procurement of cost-effective systems by January 1, 2020. Formal targets will be set by July 1, 2017.

Canada

Federal level

On November 21, 2016, Canada's Minister of Environment

and Climate Change announced that the country hopes to generate 90% of its electricity from sources that don't emit greenhouse gases by 2030. The country will phase out coal and use the Canada Infrastructure Bank to finance more clean-energy projects to achieve its goal to reduce greenhouse gas emissions by about five megatons each year.

Province level

Also on November 21, 2016, the Alberta government announced it will end its deregulated wholesale electricity market and move to a capacity market to reduce volatility and encourage the growth of low-emitting power sources. The move will dramatically reduce spikes and market uncertainty. The new market structure will be in place by 2021. On November 24, 2016, the Alberta government reached agreements with TransAlta Corp., Capital Power Corp. and ATCO Ltd that require the companies to cease all coal-fired emissions by December 31, 2030. Alberta agreed to pay a total of \$814 million in compensation over 14 years for them to phase out six coal plants. The payments will be funded by levies on industrial CO₂ emissions and can be reinvested in Alberta's electricity market.

Mexico

Renewables

During 2016, local authorities continued the implementation of laws and regulations needed to complete the restructuring of the energy sector. With specific reference to the electricity sector, in 2016 the regulatory process, which began with the constitutional amendments approved in December 2013 and continued in 2014 with the enactment of the legal framework for the electricity industry (*Ley de la Industria Eléctrica*, *Ley de Generación de Energía Geotérmica* and *Ley de la Comisión Federal de Electricidad*), has focused on horizontal and vertical restructuring of the former sector monopolist (*Comisión Federal de Electricidad*). This restructuring process, which is expected to be completed by the end of 2017, will create at least four generation companies, two transport companies (transmission and distribution), two sales companies and two branches to manage commercial relations with generators who opt to remain in the old market (independent producers and self-generators).

In line with the announced timetable, in January operations began on the short-term power market and during the year

the first two auctions for the award of long-term contracts were completed. Under the contracts, distributors are required to buy the power and certificates needed to meet the target for generation from non-fossil sources in 2018 and subsequent years (30% in 2021 and 35% in 2024).

As regards the long-term development of the sector, in June the Ministry of Energy (SENER) presented the electricity sector planning document for 2016-2030 (PRODESEN). The document sets out to identify the electricity generation, transmission and distribution projects necessary to meet demand over the period. According to ministry estimates, demand is expected to rise by between 3% and 4%, which will require about 60 GW of additional capacity, of which about 32 GW of renewables capacity in order to meet the target of 35% of generation from non-fossil sources by 2024.

At the end of 2016 the regulatory process for the implementation of medium-term auctions began, representing one of the tools made available to the distributors to ensure achievement of the demand coverage parameters defined by the regulator.

Guatemala

Renewables

The evolution of the Guatemalan energy sector has been driven by the Energy Policy and the Transport and Generation Expansion Plans, on the basis of which long-term auctions have been carried out in recent years to encourage investment in new generation projects. These actions, combined with the stability of local regulation, have enabled an increase in the country's installed capacity and a change in the energy matrix, such that in 2016 about 60% of the country's generation originated from renewable resources.

The energy policy issued in 2016 sets a target for 2030 of 90% of generation from renewable resources.

During the year, distributors organized two short-term auctions for the supply of electricity and capacity, and in 2017 it is expected a new long-term auction will be organized for the construction of new projects. In February, regulations were issued to govern possible offers between Guatemala and Mexico, which will give the country a privileged position as an interconnection, being simultaneously connected to the Regional Electricity Market and to Mexico.

Panama

Renewables

Typically, renewables plants enter the market through participation in auctions organized by the system operator (ETESA), which acts as a single buyer. In 2016, however, the authority promoted mechanisms for the installation of renewable energy plants by final customers, strengthening the procedure for self-consumption.

In April, the Parliament approved the National Energy Plan for 2015-2050, which seeks to define a change in the energy matrix of the country, aimed at the reduction of CO₂ emissions. In July, Resolution 10.143 was published, changing the method for the export of energy during periods of high water availability in the system. The new method is designed to reduce the risk of reservoir overflow.

Costa Rica

Renewables

Renewable energy accesses the market primarily through independent power producers (<20 MW), with rates set by the regulator (ARESEP), and BOT public auctions (<50 MW), with fixed prices for the definition of long-term PPAs with the Costa Rican Institute of Electricity (ICE).

The current Energy Plan, approved in September 2015 (*Plan Nacional de Energía 2015-2030*), identifies the short, medium and long-term planning objectives for the energy sector. With specific reference to the electricity sector, it identifies four objectives to be pursued with dedicated measures in the coming years:

- > improving the energy efficiency of the country through the reduction of energy intensity and the emissions associated with energy consumption;
- > ensuring efficient distributed generation, allowing the direct use of renewable sources;
- > optimizing the country's generation matrix through an assessment of available resources and their combination in terms of quality, availability and price;
- > introduce a full system planning model that considers the economic, technical, social and environmental aspects as key elements.

Sub-Saharan Africa and Asia

India

Renewables

India is a federal republic composed of 29 states, each of which has specific responsibilities in various sectors as well as shared responsibility with the Federal Government in the electricity sector.

The Ministry of New and Renewable Energy (MNRE) defines and implements policy for the development of renewable energy at the national level. In addition to the Ministry, the power market is supervised at the federal level by the Central Energy Regulatory Commission (CERC), which sets guidelines and standard rates, and by the State Energy Regulatory Commissions (SERCs), which implement them at the state level.

In June 2015 the Government headed by Prime Minister Narendra Modi approved a target of 175 GW of renewables capacity by 2022, including 100 GW from solar, 60 GW from wind and about 15 GW from other technologies. The renewables industry is characterized by a high degree of fragmentation, as each state has introduced its own regulatory system for the development of new capacity. In general, the main support mechanisms for the development of new capacity are auctions, preferred feed-in tariffs, Renewable Energy Certificates (REC) based on state-level Renewable Portfolio Obligations (RPO), Generation Based Incentives for wind power projects, currently in place until March 2017, and other tax incentives.

The most widely adopted incentive plan for wind power is based on preferred feed-in tariffs, defined by the SERCs at the state level and implemented through PPAs with state distribution companies with terms varying between 10 and 25 years depending on the state. The feed-in tariffs are revised periodically by the SERCs, are set at the time a plant enters service and do not change over the duration of the PPA. In June 2016, the Ministry of New and Renewable Energy (MNRE) published guidelines for the construction of 1,000 MW of wind capacity using competitive auctions, with that mechanism gradually replacing the feed-in tariffs.

The development of solar energy is primarily supported with the program called the "Jawaharlal Nehru National Solar Mission" (JNNSM) launched in 2010. It is based on

an auction system managed at the federal level but implemented at the state level. The program is structured into three phases, of which the second is currently under way. The winning bidders are awarded a 25-year PPA at a fixed rate with the National Thermal Power Corporation (NTPC), the leading national electricity company.

In June 2016, the MNRE published a draft policy to define guidelines to support the development of mini/micro-grids based on renewables, with a goal of implementing at least 10,000 projects, equivalent to a minimum of 500 MW of installed capacity, in the next five years to supply electricity in rural areas.

On October 2, 2016, India ratified the climate accords reached at the Paris summit in December 2015, committing to reducing the intensity of carbon emissions (INDC - Intended Nationally Determined Contribution) by 33-35% by 2030 from their 2005 level, and to reach 40% of installed non-fossil electricity capacity (currently equal to 30% including large-scale hydroelectric and nuclear power). This commitment by the Indian Government further expands the ambitious target of 175 GW of renewables capacity by 2022 and should define the political agenda in that direction to attract investment to the sector.

At the end of October 2016 the MNRE published the final document setting out the operational procedures for the construction, for the first time in the country, of 1,000 MW of wind capacity through competitive auctions. On October 28, the auction was announced, with the pre-selection process beginning on January 9, 2017. Eligible projects for the auction are those developed in the eight Indian states classified as “windy states” (Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and Telangana) and connected to the national transmission grid. The winning bidders in the auctions will be awarded a 25-year fixed-price power purchase agreement (PPA) with Power Trading Company, which in turn will sell the power through power sales agreements to the state distribution companies of “non-windy states”. The competitive auction mechanism is expected to gradually replace feed-in tariffs for wind power.

During the 3rd Quarter of 2016, a broad reform of indirect taxation began in India with the introduction of the Goods and Services Tax, which should enter force on April 1, 2017. Once approved, the reform will introduce new tax rates for goods and services, which will also impact the cost of plant

construction in the country. Those rates have not yet been defined, making a postponement of the entry into force of the reform highly likely.

South Africa

Renewables

In May 2011, South Africa approved a target of 17.8 GW of installed renewable capacity by 2030 based upon the long-term energy strategy set out in the 2010-2030 Integrated Resource Plan. The primary tool to be used in achieving this target is the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), an auction system launched in 2011 that seeks to install around 13 GW in new renewable capacity between 2014 and 2020 (hydroelectric <40 MW, concentrated solar and photovoltaic, wind, biomass, biogas and landfill gas power). Currently, five rounds (bid windows) are scheduled, four of which have already been held, with the award of more than 5,000 MW of capacity. In 2015 an additional round – called the Expedited Round, or Round 4.5 – was added and held for an additional 1,800 MW, which have not yet been assigned.

After a pre-qualification phase, which is concerned with technical and financial issues, qualified projects are chosen based upon two criteria: the bid price (weighted 70%) and the economic development content of the project (weighted 30%). The latter is based upon a series of parameters focusing on the economic development of the country, including local content and the creation of jobs for South Africans, especially non-whites.

The winners will be invited to enter into a 20-year PPA with the national utility, Eskom, with payments guaranteed by the Government.

On November 22, 2016, the Department of Energy published new drafts of the revision of the Integrated Energy Plan and the Integrated Resource Plan, the long-term plans incorporating the development strategy for the development of the country's energy and electricity sectors through 2050.

The public consultation process is open until March 2017 and the final documents are expected to be published in the 2nd Half of 2017.

In early 2015, NERSA, the national electricity regulator, had already initiated two reviews of the rules applicable to distributed generation and the use of the national grid for elec-

tricity transport (wheeling). The rules governing distributed generation will allow all end users the option of installing photovoltaic systems and to export their excess power to the grid (net metering). The rules governing wheeling will permit the sale of electricity through bilateral contracts between a private generator and end users (commercial or industrial enterprises; residential customers are not eligible). The dates for completion of those reviews have not been announced officially. In 2016, those reviews were not yet completed and the dates of completion have not yet been announced officially.

Finally, on the basis of the long-term rate planning mechanism, South African electricity rates should increase by an average of 8% a year until 2018.

Kenya

Renewables

While Kenya has not set official installed capacity targets for renewable energy, it strongly supports their development, mainly in order to reduce its dependence on hydroelectric power, seeking to attract private investors.

The main incentive mechanism for renewables, in use since 2008 and revised in 2012, is the feed-in tariff system (FiT), with a specified value determined by law by the Energy Regulatory Commission (ERC) for plants with a capacity of less than 10 MW and by auction for larger facilities. The support mechanism provides for 20-year power purchase agreements (PPA) with Kenya Power and Lighting Company (KPLC), the national operator in charge of transmission, distribution and supply of end users. Rates are differentiated by technology (wind, biomass, solar, mini-hydro and geothermal) and size of the plant. They are partly indexed to US inflation (US CPI).

The country's legislative and regulatory framework has been under review since 2015, however, and a final version of the new Energy Bill is expected to be approved in the 2nd Half of 2017, following the elections. In addition, the FiT system will be gradually replaced by a competitive auction system.

The country has a rate of electrification of just 23%, making an increase in the rate of rural electrification through the extension and increasing the density of the national grid, the development of mini-grids and off-grid projects a major priority. The objective is to achieve a 100% electrification rate by 2030.

Main risks and uncertainties

Due to the nature of its business, the Group is exposed to a variety of risks, notably market risks, credit risk, liquidity risk, industrial and environmental risks and regulatory risk. In order to mitigate its exposure to these risks, the Group conducts specific analysis, measurement, monitoring and

management activities, as described in this section.

See also the “Reference scenario” section for an analysis of the factors that represent some of the underlying bases for these risks.

Risks connected with market liberalization and regulatory developments

The energy markets in which the 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, the Group 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 genera-

tion 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 or regulated regimes, and changes in the rules governing operations in such markets and regimes, 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.

Risks connected with CO₂ emissions

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

EU legislation governing the emissions trading scheme imposes costs for the electricity industry. 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.

Market risks

As part of its operations, Enel is exposed to a variety of market risks, notably the risk of changes in interest rates, exchange rates and commodity prices.

The financial risk governance arrangements adopted by the Group establish specific internal committees responsible for policy setting and supervision of risk management, as well as specific policies at the Group and individual Region/Country/global business line levels that establish the roles and responsibilities for risk management, monitoring and control

processes, ensuring compliance with the principle of organizational separation of units responsible for operations and those in charge of managing risk.

The financial risk governance system also defines a system of operating limits at the Group and individual Region/Country/global business line levels for the various types of risk, which are monitored periodically by risk management units. To maintain market risk within the limits set out in the Group's risk management policies, Enel uses derivatives obtained in the market.

Risks connected with commodity prices and supply continuity

Given the nature of its business, Enel is exposed to changes in the prices of fuel and electricity, which can have a significant impact on its results.

To mitigate this exposure, the Group has developed a strategy of stabilizing margins by contracting for supplies of fuel and the delivery of electricity to end users or wholesalers in advance.

The Group has also implemented a formal procedure that provides for the measurement of the residual commodity

risk, the specification of a ceiling for maximum acceptable risk and the implementation of a hedging strategy using derivatives on regulated or over-the-counter markets.

For a more detailed examination of commodity risk management and the outstanding derivatives portfolio, please see note 41 of the consolidated financial statements.

In order to limit the risk of interruptions in fuel supplies, the Group has diversified fuel sources, using suppliers from different geographical areas.

Exchange risk

The Group is exposed to the risk that changes in the exchange rates between the euro and the main other currencies could give rise to adverse changes in the euro value of performance and financial aggregates denominated in foreign currencies, given the Group's geographical diversification and the access to international markets connected with the issue of debt instruments and transactions in commodities. Accordingly, the exposure to exchange risk, which is mainly denominated in US dollars, is attributable to:

- > cash flows in respect of the purchase or sale of fuel or electricity;
- > cash flows in respect of investments in foreign currency, dividends from foreign subsidiaries or the purchase or sale of equity investments;
- > financial liabilities assumed by the holding company or the individual subsidiaries denominated in currencies

other than the currency of account or functional currency of the company holding the liability;

- > financial assets/liabilities measured at fair value.

The consolidated financial statements are also exposed to the exchange risk associated with the consolidation values of equity investments denominated in currencies other than the euro (translation risk).

The policy for managing exchange risk is designed to ensure the systematic hedging of exposures, with the exclusion of translation risk, through operational processes that ensure the implementation of appropriate hedging strategies, which typically involve the use of financial derivatives on over-the-counter markets.

For more details, please see note 41 of the consolidated financial statements.

Interest rate risk

The Group is exposed to the risk that changes in interest rates could give rise to increases in net financial expense or adverse changes in the value of assets/liabilities measured at fair value.

The main source of exposure to interest rate risk is the variability of financial terms in the case of new debt or fluctuation in the interest flows associated with floating-rate debt.

The risk management policy seeks to maintain the risk

profile established within the framework of the formal risk governance procedures of the Group, curbing funding costs over time and limiting the volatility of results. This goal is also pursued through the use of financial instruments on over-the-counter markets.

For more details, please see note 41 of the consolidated financial statements.

Credit risk

The Group's commercial, commodity and financial operations expose it to credit risk, i.e. the possibility that an unexpected change in the creditworthiness of a counterparty could impact the creditor position, in terms of insolvency (default risk) or changes in its market value (spread risk).

Beginning in the last few years, with the instability and uncertainty of the financial markets and the global economic crisis, average payment times for trade receivables by counterparties have increased. In this general environment, in order to minimize credit risk, the credit risk management policy calls for the preliminary assessment of the creditworthiness of counterparties in the main portfolios and the use of risk mitigation techniques, such as the acquisition of secured or unsecured guarantees and, for financial and commodities transactions in particular, standard contractual frameworks. In addition, the general Group policy provides for application of uniform criteria in all the main Regions/Countries/global business lines for monitoring and controlling credit risk in order to promptly identify any deterioration in credit quality and determine any mitigation actions to implement.

As regards credit risk in respect of commodities transactions, credit risk limits specified by the competent units of the Region/Country/global business line involved are applied.

As to credit risk in respect of financial transactions, including those involving derivatives, risk is minimized by selecting

counterparties with high credit ratings from among leading Italian and international financial institutions, portfolio diversification, entering into margin agreements for the exchange of cash collateral, or the use of netting arrangements. In 2016, operating limits on credit risk approved by the Group Risk Committee were again applied and monitored, using an internal valuation system, at both the individual Region/Country/global business line level and at the consolidated level.

As part of the management of credit risk, for a number of years the Group has carried out non-recourse assignments of receivables for specific segments of the commercial portfolio. Partly in view of the macroeconomic environment, as from 2011 the use of assignments was extended both geographically and to invoiced receivables and receivables to be invoiced of companies operating in other segments of the electricity industry than retail sales (such as, for example, receivables from generation activities, sales of electricity as part of energy management operations, the sale of green certificates or electricity transport services).

All of the above transactions are considered as non-recourse transactions for accounting purposes and therefore involved the full derecognition of the corresponding assigned assets from the balance sheet, as the risks and rewards associated with them have been transferred.

Liquidity risk

Liquidity risk is the risk that the Group, while 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 situations of tension or systemic crises (credit crunches, sov-

ereign debt crises, etc.) or changes in the perception of Group riskiness by the market.

The Group's risk management policies are designed to maintain a level of liquidity sufficient to meet its obliga-

tions over a specified time horizon without having recourse to additional sources of financing as well as to maintain 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.

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 financing. 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.

In 2016, the ratings assigned to Enel by Standard & Poor's, Moody's and Fitch did not change. Accordingly, at the end of the year Enel's rating was: (i) "BBB" for Standard & Poor's with a stable outlook; (ii) "BBB+", with a stable outlook for Fitch; and (iii) "Baa2", with a stable outlook for Moody's.

Country risk

By now, more than 50% of the Enel Group's revenue is generated abroad. The substantial internationalization of the Group – which among other countries operates in Latin America, North America, Africa and Russia – requires Enel to consider and assess country risk, which consists of the macroeconomic, financial, regulatory, market, social and geopolitical risks whose manifestation could have an adverse impact on income or threaten corporate assets. In order to mitigate this type of risk, Enel has adopted a model for calculating country risk that makes it possible to monitor carefully the level of risk in the countries in which it is present.

The outlook is improving in the developed countries, but the weakness of the emerging economies is slowing the growth of global trade – world trade indicators set new lows in 2016 – and squeezing the prices of raw materials. Oil prices fell below the low levels reached in the trough of the 2008-2009 crisis. Forecasts of global activity point to a modest acceleration this year and the next compared with 2016.

The increase in interest rates by the Fed in December, prompted by the improvement in the labor market and the main growth indicators, marked the beginning of a gradual end of the expansionary monetary policy stance in the United States, in contrast to the situation in Europe.

In the euro area, growth continues but remains fragile. The Eurosystem's asset purchase program is proving effective in

supporting economic activity as a whole, with effects that so far are in line with initial expectations. The weakening of external demand, stagnant consumption and the fragility of the banking system have contributed to the emergence of new downside risks for growth and inflation, which nevertheless showed positive signs in the 3rd Quarter of the year. In December, the ECB's Governing Council confirmed that it would retain the expansionary measures, continuing its purchases of securities worth €80 billion per month until March 2017, before easing back to a monthly €60 billion in the remaining months of the year.

On the political level, Brexit referendum and the spread of anti-Europe movements, fueled in part by the difficulties Governments are facing in managing the issues of immigration and terrorism, have increased the risk of instability on the continent in the light of the elections and referendums scheduled for 2017 in France, Germany, Spain and the Netherlands.

Other uncertainties in the international environment concern the ability of the emerging economies to grow with commodity prices that have fallen over the past decade, the foreign policy of the new Trump administration in the US, and the ability of Chinese policy-makers to steer the expected transition to a service economy.

Industrial and environmental risks

Industrial and environmental risks are managed by the Global Generation business line using statistical modeling techniques, which assess risks in probabilistic and monetary terms for each plant/grid/project. In addition to typically industrial risk models (business interruption, operation and maintenance), Enel has development models to measure disaster risks linked to seismic events, a model for assessing fire risks and environmental models to assess the exposure of each plant to risks involving all possible segments of the environment, such as the air, water, land and underground. All of this is done with the objective of identifying the most critical areas and preparing appropriate instruments to safeguard the industrial value of plants.

Breakdowns or accidents that temporarily interrupt operations at Enel's plants represent an additional risk associated with the Group's business.

In addition, we also conducted exercises to assess risks associated with the operation of the distribution networks managed by the Infrastructure and Networks business line. In order to mitigate such risks, the Group adopts leading prevention and protection strategies, including preventive and predictive maintenance techniques and technology surveys to identify and control risks. In the environmental

area, plants undergo certification under international standards (ISO 14001 and EMAS) and the use of environmental management systems to monitor potential sources of risk in order to identify any threats promptly.

Any residual industrial and environmental risk is managed using specific insurance policies to protect corporate assets and provide liability coverage in the event of harm caused to third parties by accidents, including pollution, that may occur during the production and distribution of electricity and gas. With regard to nuclear power generation, Enel operates in Spain through Endesa. In relation to its nuclear activities, the Group is exposed to operational risk and may face additional costs because of, inter alia, accidents, safety violations, acts of terrorism, natural disasters, equipment malfunctions, malfunctions in the storage, movement, transport and treatment of nuclear substances and materials. In the countries where Enel has nuclear operations, specific laws based on international conventions require operators to obtain insurance coverage for liability for risks associated with the use and transport of nuclear fuel, with coverage ceilings and other terms and conditions set by law. Other mitigating measures have been taken in accordance with international best practice.

Outlook

The 2017-2019 Strategic Plan, presented in November 2016, introduces digitization and customer focus alongside the key pillars of the previous plan, accelerating the creation of value for all stakeholders. In particular, the Group's 2017-2019 Strategic Plan focuses on the following issues.

- > Digitization: investment of €4.7 billion to digitalize Group assets, operations and processes and enhance connectivity, with the objective of generating a cumulative increase in EBITDA of €1.6 billion between 2017 and 2019.
- > Customer focus: improve customer service to preserve and expand Enel's most important asset, its customer base of more than 60 million end users, with the objective of generating €3 billion of EBITDA in 2019.
- > Operational efficiency: savings target of €1 billion in 2019 compared with 2016, an increase of €500 million over the previous plan, mainly through a reduction in operating costs supported by digitization.
- > Industrial growth: strongly focused on networks and renewables. In the latter segment, Enel plans to introduce a less capital-intensive business model called "BSO" ("Build, Sell and Operate").
- > Group simplification: rationalization of the structure at the Country level in all of the areas in which the Group operates, especially in Latin America and in renewables.
- > Active portfolio management: an increase to €8 billion from the previous €6 billion in the objective for asset rotation, with a three-year rolling target. The plan also provides for the option of activation of a share buyback program of up to €2 billion, which will be presented to Enel's annual Shareholders' Meeting on May 4, 2017.
- > Shareholder remuneration: an increase in the pay-out to

65% of consolidated net ordinary income for 2017, compared with 60%, and to 70% of consolidated net ordinary income for 2018 and 2019, compared with 65%. A minimum dividend of €0.21 per share out of 2017 net income.

In 2017 Enel plans:

- > to launch investments in digitization, with the start of the installation of second generation smart meters in Italy, and progress in installation in the Iberian Peninsula. We will also accelerate the roll-out of the fiber optic network undertaken by OpEn Fiber;
- > to implement the first contributions to the customer focus strategy on a global scale, with the start of investment in the back office and customer experience platforms, and, in particular in Italy, with the conclusion of the *Tutela Simile* system and the planned liberalization of the market in 2018;
- > to continue the progress achieved in operational efficiency, supported by digitization, which provides for a cash cost target of €11.2 billion;
- > to continue industrial growth, focused on networks and renewables, with an EBITDA growth target of €1.4 billion;
- > to launch the second phase of corporate simplification at the individual Country level in Latin America in order to increase efficiency and Enel's economic interest;
- > to achieve additional progress in active portfolio management, which in the 1st Half of 2017 envisages acquisitions totaling €1.2 billion and an increase in the economic interest in two Romanian companies of €0.4 billion.

Based on the key pillars outlined above, the following table sets out the performance and financial targets on which the Group's 2017-2019 Strategic Plan is founded.

		2017	2018	2019	CAGR 17-19
Recurring EBITDA	billions of euros	~15.5	~16.2	~17.2	~+5%
Net ordinary income	billions of euros	~3.6	~4.1	~4.7	~+14%
Minimum dividend	euro/share	0.21			~+22%
Pay-out	%	65	70	70	+15 p.p.
FFO/Net financial debt	%	26	27	30	~+5 p.p.

Non-EU subsidiaries

At the date of approval by the Board of Directors of the financial statements of Enel SpA for 2016 – March 16, 2017 – 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 Regulation (approved with Resolution 16191 of October 29, 2007).

Specifically, we report that:

> in application of the materiality criteria for the purposes of consolidation provided for in Article 36, paragraph 2, of the CONSOB Market Regulation, 27 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, 2015. They are: 1) Ampla Energia e Serviços SA (Brazilian company belonging to Enel Américas); 2) Codensa SA ESP (Colombian company belonging to Enel Américas); 3) Companhia Energética do Ceará SA (Brazilian company belonging to Enel Américas); 4) Compañía Eléctrica Tarapacá SA (company merged into Gas Atacama Chile SA as from December 1, 2016); 5) Dominica Energía Limpia S de RL de Cv (Mexican company belonging to Enel Green Power); 6) EGPNA Renewable Energy Partners LLC (US company belonging to Enel Green Power); 7) EGPNA REP Wind Holdings LLC (US company belonging to Enel Green Power); 8) Emgesa SA ESP (Colombian company belonging to Enel Américas); 9) Empresa Distribuidora Sur - Edesur SA (Argentine company belonging to Enel Américas); 10) Empresa Eléctrica Panguipulli SA (Chilean company belonging to Enel Green Power); 11) Enel Américas SA (Chilean company resulting from the demerger of Enersis SA); 12) Enel Brasil SA (Brazilian company belonging to Enel Américas); 13) Enel Chile SA (Chilean company resulting from the demerger of Enersis SA); 14) Enel Distribución Chile SA (formerly Chilectra SA, a Chilean company belonging to Enel Chile); 15) Enel Distribución Perú SAA (formerly Empresa de Distribución Eléctrica de Lima Norte SAA, a Peruvian company belonging to Enel

Américas); 16) Enel Fortuna SA (Panamanian company belonging to Enel Green Power); 17) Enel Generación Chile SA (formerly Empresa Nacional de Electricidad SA, a Chilean company belonging to Enel Chile); 18) Enel Generación Perú SAA (formerly Edegel SA, a Peruvian company belonging to Enel Américas); 19) Enel Green Power Brasil Participações Ltda (formerly Enel Brasil Participações Ltda, a Brazilian company belonging to Enel Green Power); 20) Enel Green Power Chile Ltda (Chilean company belonging to Enel Green Power); 21) Enel Green Power del Sur SpA (formerly Parque Eólico Renaico SpA, a Chilean company belonging to Enel Green Power); 22) Enel Green Power México S de RL de Cv (Mexican company belonging to Enel Green Power); 23) Enel Green Power North America Inc. (US company belonging to Enel Green Power); 24) Enel Kansas LLC (US company belonging to Enel Green Power); 25) Enel Russia PJSC (Russian company); 26) Gas Atacama Chile SA (Chilean company belonging to Enel Chile); 27) Origin Goodwell Holdings LLC (US company belonging to Enel Green Power);

> the balance sheet and income statement for the 2016 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 Market Regulation) at least 15 days prior to the day scheduled for the Ordinary Shareholders' Meeting called to approve the 2016 financial statements of Enel SpA 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 Regulation approved with Resolution 11971 of May 14, 1999);

> 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 Market Regulation);

- > 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 1 (letter c-i)) of the Market Regulation);
 - use an administrative and accounting system appropri-

ate 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 1 (letter c-ii)) of the Market Regulation).

Approval of the financial statements

The Shareholders' Meeting to approve the financial statements, as provided for by Article 9.2 of the bylaws of Enel SpA, shall be called within 180 days of the close of the financial year.

The use of that time limit rather than the ordinary limit of

120 days from the close of the financial year, permitted under Article 2364, paragraph 2, of the Italian Civil Code, is justified by the fact that the Company is required to prepare consolidated financial statements.

Disclosures on financial instruments

The disclosures on financial instruments required by Article 2428, paragraph 2, no. 6-*bis* of the Civil Code are reported in note 31 "Financial instruments", note 32 "Risk manage-

ment", note 33 "Derivatives and hedge accounting" and note 34 "Fair value measurement" to the separate financial statements of Enel SpA.

Transactions with related parties

For more information on transactions with related parties, please see note 35 to the separate financial statements of Enel SpA.

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

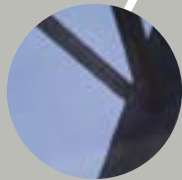
Pursuant to the CONSOB Notice of July 28, 2006, Enel did not carry out any atypical or unusual operations in 2016.

Such operations include transactions whose significance, size, nature of the counterparties, object, method for calcu-

lating 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 50 to the consolidated financial statements.



02_Sustainability



The sustainable business model

Enel's model of sustainable business sees sustainability and innovation as inextricably linked, a union that creates value for the company and for all our stakeholders and which enables us to seize new opportunities.

Enel integrates sustainability into all aspects of its business in order to develop innovative solutions to reducing our environmental impact, to meeting the needs of local communities and to improving safety for both employees and suppliers. By actively engaging and listening to everyone with whom we work and making a rational use of resources, we promote a synergistic blend of social and economic progress.

Enel's ability to anticipate industry change as a part of our Strategic Plan and our leadership in innovation and sustainability have been recognized at the 2016 Platts Global Energy Awards, where Enel won the Industry Leader Award - Power.

Framing this entire process are the principles of ethics, transparency, anti-corruption, human rights and safety that have always been a distinctive feature of Enel's operations and which are a part of policies and standards of conduct that are applicable throughout the Group.

A key aspect of this approach is the implementation of environmental, social and governance (ESG) sustainability indicators throughout the value chain, not only for ex-post assessments, but above all to anticipate decision-making and promote a proactive, not reactive, stance. Enel wants to drive change and anticipate new market opportunities and is aware that it must begin by understanding the context in which it operates.

From business development to plant engineering, construction and day-to-day operation, we have redesigned the way in which we operate in order to create and continue adding shared, inclusive value over the long term. The efficiency and effectiveness of business processes, during both development and operations, depend significantly on the creation of stable, constructive relationships with our various stakeholders as well as on our ability to become a synergistic part of the community, preventing and managing any socio-environmental impact. In order to react promptly to changes in society, in the needs of our customers and in the energy market, it is becoming increasingly necessary to be open to contributions from the outside. For this reason, Enel has promoted the Open Innovability model, forging a growing number of partnerships throughout the world with local organizations, businesses, universities, international associations and non-governmental organizations.

In 2016, we developed around 900 sustainability projects, with an estimated six million people benefitting from access to electricity, the socio-economic development and support of local communities and internal initiatives to promote sustainable methods of operating.

It is a model that promotes sustainable development and is fully in line with the indications of the United Nations Global Compact, of which Enel has been an active member since 2004, reiterating the importance of increasing the integration of sustainability within the company's strategic decision-making processes. Enel's CEO has been a member of the United Nations' Global Compact Board since June 1, 2015.

Enel's commitment to the United Nations' Sustainable Development Goals

On September 25, 2015, the United Nations formally adopted the new Sustainable Development Goals (SDGs) 2030 that were officially launched the next day at the Private Sector Forum held in New York City. Through the SDGs, the United Nations called on companies to be creative and innovative in addressing the challenges of sustainable development, such as poverty, gender equality, clean water, clean energy and climate change. The success in achieving the new goals will rely heavily on the policies that will be implemented by all actors involved.

On this occasion, Enel committed to contributing to four of the 17 goals: access to energy, climate change, work and economic growth and education.

More specifically, Enel is committed to the following:

- > SDG 7 - ensuring access to affordable, sustainable and modern energy, including the promotion of energy-efficiency services, the beneficiaries of which will include three million people primarily in Africa, Asia and Latin America by 2020. As of December 2016, 1.2 million beneficiaries had been reached;*
- > SDG 4 - supporting education projects for 400,000 people by 2020. As of December 2016, about 300,000 beneficiaries had been reached;*
- > SDG 8 - promoting sustained, inclusive and sustainable economic growth and employment for 500,000 people by 2020. As of December 2016, around 1.1 million beneficiaries had been reached, so the target has since been tripled to 1.5 million beneficiaries by 2020;*
- > SDG 13 - taking targeted action to achieve decarbonization by 2050.*

As of December 2016, specific CO₂ emissions totaled 395 g/kWh_{eq}, with the target of less than 350 gCO₂/kWh_{eq} by 2020 unchanged.

Non-financial information is coming under increasing scrutiny by investors and the financial markets, who are now focusing on the ability of a company to make sustainable long-term business plans that translate into concrete, measurable actions and better financial performance.

Socially responsible investment funds continued growing in 2016. Enel has 150 socially responsible investors - SRI (up

from 132 in 2015), which hold about 8% of all Enel shares in circulation (compared with 7.7% in 2015). This increase is even more evident when considering the increase in the number of Enel shares (following the merger with Enel Green Power) compared with 2015 (up from 9,403 million shares in 2015 to 10,167 million in 2016). In absolute value, shares held by SRI investors increased by 13%.

Priority analysis and definition of sustainability goals

For several years now, Enel has conducted materiality analyses – based on the guidelines of the most widely adopted standards such as the Global Reporting Initiative (GRI) – in order to identify the Group's intervention priorities, the issues to consider for disclosure and which stakeholder-engagement activities to strengthen. The aim is to map and assess the priority of the issues of interest to stakeholders, integrating them into the Group's business strategy and priorities for action.

Through this analysis, the main stakeholders of the Group are identified and assessed according to their importance

to the Company and to their priorities on the various issues approached in the numerous engagement activities. This information is then crosschecked with the assessments of the issues on which Enel intends to focus its efforts, with the respective priority value.

By observing the two perspectives together, it is possible to identify the issues, which, due to their relevance and priority, are essential to Enel and our stakeholders. Consequently, it is possible to verify the degree of alignment or misalignment between external expectations and internal priorities.

The materiality analysis, which is conducted with increas-

ingly greater detail in terms both of issues and geographical scope, makes it possible to obtain the company and stakeholder priorities for the entire Group and for each country of operations. It is also possible to obtain results with a specific focus such as the matrix for the sole stakeholder category of “financial community,” which is useful for identifying issues to be discussed in the Annual Report in order to provide integrated reporting on performance. In particular, this analysis has pointed to the following priorities: renewable energy, innovation and efficiency in operations, the creation of economic and financial value, climate strategy and health and safety in the workplace.

Based on the material analysis results, the issues to be included in the reports are defined and the specific targets and objectives of the 2017-2019 Strategic Plan are set. Operations and projects regarding various functions and business lines of the Group contribute towards achieving these targets and objectives as detailed in the 2017-2019 Sustainability Plan.

As regards its strategic plan, Enel has identified the follow-

ing as among the most significant emerging risks:

- > cybersecurity represents one of the levers of our digital transformation plan and we have a strategy to protect our information, our assets and emerging technologies (e.g. Internet of Things - IoT). In this area, a dedicated unit has been created, a new operating framework has been defined to manage the issue on a unified basis with a risk-based strategy and the propagation of security-by-design practices, and training projects have been launched;
- > paradigm change in the world of energy and the transformation of the business model of utilities – new macroeconomic and energy trends, technologies and actors can potentially support and disintermediate the traditional business model of utilities, especially the combination of factors linked to digitization and decentralization and changes in customer needs. Enel’s strategy and “Open Power” vision represents the framework for responding to the challenges of the transition towards the utility of the future.

Management and reporting of non-financial information

Enel undertakes to constantly manage and measure sustainability performance by using and developing mechanisms that allow for an integrated, standardized system of activities and information that are kept constantly up to date based on developments in the scope of operations and relevant standards, while promoting the sharing of best practices and experience.

With a view towards increasing transparency towards our stakeholders, the Group monitors and actively participates in the development of new frontiers in reporting towards integrated communication of performance, both financially and in other areas.

The reporting process involves collecting and calculating specific key performance indicators of economic, environmental and social sustainability in accordance with the GRI international standards and the Electric Utility Sector Supplement (EUSS), as well as with the principles of accountability of the United Nations Global Compact.

Projects, activities, performance and the other main results, including progress made towards the SDGs in line with the SDG Compass, are presented in Enel’s Sustainability Re-

port, the completeness and reliability of which are verified by an accredited external auditing firm, by the Group Control & Risk Committee and by the Corporate Governance & Sustainability Committee. The document is then approved by the Enel SpA Board of Directors before being presented to the shareholders.

In the fourth edition of its report, “Reporting Matters,” the World Business Council for Sustainable Development (WBCSD) dedicated a specific section to methods of SDG reporting in Enel’s Sustainability Report.

Finally, the Group is included in the leading sustainability indexes:

- > Dow Jones Sustainability Index World;
- > FTSE4Good;
- > Carbon Disclosure Project (CDP) - Performance A List;
- > STOXX ESG Leaders;
- > Euronext Vigeo-Eiris;
- > ECPI.

Values and pillars of corporate ethics

A robust system of ethics underlies all activities of the Enel Group. This system is embodied in a dynamic set of rules constantly oriented towards incorporating international

best practices that everyone who works for and with Enel must respect and apply in their daily activities.

Code of Ethics

In 2002, Enel adopted a Code of Ethics, which expresses the Company's ethical responsibilities and commitments in conducting business and in the activities of collaborators of Enel SpA and of its subsidiaries, whether they are directors or employees of any level.

Unethical business conduct would compromise the relationship of trust between Enel and our stakeholders, towards whom we hope to maintain a lasting relationship based on trust.

Enel applies the Code of Ethics within both the Company and our subsidiaries in Italy and the other countries in which we operate while taking account of their cultural, social and economic differences. As a result, it establishes the rules of conduct that are binding for all of our employees. Enel also requires that all associates and other investees and suppliers adopt conduct that is in line with the general principles defined in this code.

In 2016, the process of managing reports of potential violations of the Code of Ethics enabled us to:

- > maximize the transparency and traceability of the process,

including in light of a legislative landscape that is increasingly aware of the legal framework for whistleblowing;

- > maximize safeguards for Enel, whistleblowers and any individuals who are the victims of unfounded reports of malicious intent;
- > guarantee uniform analysis of the various reports throughout the Group;
- > ensure that reports are analyzed in a timely manner and provide a response to the whistleblower when possible;
- > provide full accessibility to the channel for submitting reports.

Beginning in January 2016, there is a new, unified communication channel for the Group which can be used to report any violations or suspected violations of Enel Compliance Programs, i.e. of the Code of Ethics, the Human Rights Policy, the Zero-Tolerance-of-Corruption Plan, the Enel Global Compliance Program, the Compliance Model as per Italian Legislative Decree 231/2001 and any compliance models adopted by other companies of the Group in compliance with local laws and regulations.

Other indices

No.

	2016	2015	Change
Confirmed violations of the Code of Ethics ⁽¹⁾	18	34	(16) -47.1%

(1) In 2016, an analysis was performed of violations reported in 2015. As a result, the number of verified violations reported for 2015 was changed from 32 to 34. Violations for 2016 regard reports received in 2016 and verified in 2016.

Compliance Model (Legislative Decree 231/2001)

Italian Legislative Decree 231/2001 introduced into Italian law a system of administrative (and de facto criminal) liability for companies for certain types of offences committed by their directors, managers or employees on behalf of or to the benefit of the company. Enel was the first organization in Italy to adopt, back in 2002, this sort of compliance model that met the requirements of Legislative Decree 231/2001 (also known as "Model 231").

In 2015, Enel SpA began a process of revising its Model

231, and continued this process in 2016, in order to take account of legislative changes concerning the scope of crimes considered relevant for the purposes of Legislative Decree 231/2001 and to align the model with our current organizational structure. In particular, we revised the General Section of Model 231 and updated Special Sections G (receiving stolen goods, money laundering, using money, goods or benefits of illegal origin and self-laundering), H (cybercrime and illegal handling of data) and L (environmental crimes).

Enel Global Compliance Program

The Enel Global Compliance Program, applicable to all of the Group's foreign companies, supplements any existing compliance programs (e.g. risk-prevention models) these companies may have already adopted in compliance with local laws and regulations.

This document, which was approved by the Enel SpA Board of Directors in September 2016, is inspired by the leading international regulatory framework on this matter and is a governance mechanism aimed at strengthening the Group's ethical and professional commitment to preventing

the commission of crimes abroad that could result in criminal liability for the Company and do harm to our reputation. The types of crime covered by the Enel Global Compliance Program – which encompasses standards of conduct and areas to be monitored for preventive purposes – are based on illicit conduct that is generally considered such in most countries, such as corruption, crimes against the government, false accounting, money laundering, violations of regulations governing safety in the workplace, environmental crimes, etc.

Zero-Tolerance-of-Corruption Plan

In compliance with the tenth principle of the Global Compact, according to which "businesses should work against corruption in all its forms, including extortion and bribery", Enel is committed to combatting corruption. For this reason, in 2006 we adopted the Zero-Tolerance-of-Corruption (ZTC) Plan as confirmation of the Group's commitment, as

described in both the Code of Ethics and the Model 231, to ensure propriety and transparency in conducting company business and operations and to safeguard our image and positioning, the work of our employees, the expectations of shareholders and all of the Group's stakeholders.

Human Rights Policy

In order to give effect to the United Nations Guiding Principles on Business and Human Rights, in 2013 the Enel SpA Board of Directors approved the Human Rights Policy, which was subsequently approved by all the subsidiaries of the Group. This policy sets out the commitments and responsibilities in respect of human rights on the part of the

employees of Enel SpA and its subsidiaries, whether they be directors or employees in any manner of those companies. Similarly, with this formal commitment, Enel explicitly becomes a promoter of the observance of such rights on the part of contractors, suppliers and business partners as part of its business relationships.

Creating value for stakeholders

Enel's stakeholders are individuals, groups or institutions whose contribution is needed to achieve our mission or who have a stake in its pursuit.

The economic value created and shared by Enel gives a

good indication of how the Group has created wealth for the following stakeholders: shareholders, lenders, employees and Government.

Millions of euro

	2016	2015
Revenue	70,592	75,658
Income/(Expense) from commodity risk	(133)	168
External costs	49,257	53,323
Gross global value added from continuing operations	21,202	22,503
Gross value added from discontinued operations	-	-
Gross global value added	21,202	22,503
distributed to:		
Shareholders	2,542	1,316
Lenders	2,698	2,848
Employees	4,637	5,314
Government	3,244	3,369
Enterprises	8,081	9,656

Innovation, digitalization and operating efficiency

In order to promote new uses of energy and new ways of managing it and making it accessible to more people in a sustainable manner, innovation in the energy industry must be accelerated.

At Enel, digitalization and innovation are pillars of our business strategy in order to seize these great opportunities for growth in a rapidly changing landscape while ensuring high levels of safety, business continuity and operating efficiency.

Within the Group, we have about 300 innovative projects throughout the value chain in the various geographic areas in which we operate. A large part of these projects have called for entering into partnerships with other leading players in their respective fields and the contribution of start-ups that have developed solutions not yet available in the marketplace. These collaborations have arisen out of the "Open Innovation" ecosystem in which the Group has been operating for over two years now. In 2016, some 350 start-ups were introduced to the business lines and 28 partnership agreements were signed, bringing the total number of local and global partnerships in innovation to 114. Three Innovation Hubs are also active in regions in which we are seeing the highest rates of innovation in order to be able to be a part of some of the world's most advanced innovation ecosystems.

Enel is beginning a process of transformation that will make

our production and services automated, interconnected and intelligent (a sort of Enel 4.0). Enel is, in fact, a platform company of power grids that can enable new platform models by expanding our capabilities to the management of data networks, thereby promoting the implementation of businesses tied to areas of technological innovation such as e-mobility, mini-grids, e-homes, connectivity, storage and more.

In the area of e-mobility, various projects are underway in Europe and Latin America that concern, for example, the expansion of recharging infrastructures. In Italy, as a part of the project EVA+, 180 fast-charging points will be installed by 2019 on the motorway corridors defined by the European Commission, while in Spain the installation of fast-charging points for e-buses has begun. As of 2016, there were a total of 3,200 Enel recharging stations (both public and privately owned). E-mobility also presents an opportunity for ancillary services, such as the innovative use of vehicles as "mobile batteries" to provide vehicle-to-grid services, testing for which is already underway in Denmark, Great Britain and Germany. Car sharing projects are also underway.

Enel is also developing solutions for the Internet of Things (IoT), i.e. the interconnection of devices via the Internet, within a number of production facilities that in 2016 allowed for the digitalization of the thermal power plants at Torrealvaldiga

Nord, Brindisi (Italy) and Besos (Spain), thereby improving the process of managing and monitoring these plants.

In the area of the smart home, Enel has entered into six partnerships with start-ups in order to test new solutions that will be able to provide customers with innovative solutions related to energy monitoring and efficiency and personal security and home management. In all of these cases, Enel is acting as an

aggregator of solutions able to provide our customers with a range of value-added services.

Enel has also confirmed the development of micro-grids, especially in Latin America, such as in Ollagüe (Chile) with a hybrid system that includes photovoltaic power, energy storage and diesel generators with the goal of providing electricity to a community of 200 people.

Renewable energy and decarbonization of the energy mix

In 2016 in Marrakech, the twenty-second Climate Conference (COP22), a part of the United Nations Framework Convention on Climate Change, was held.

Discussion, which was aimed at establishing procedures for implementing the Paris Accord beyond 2020, focused on transparency in monitoring, reporting and verification procedures and on the standards for the regular assessment and potential updating of the goals undertaken by the parties, as well as on progress in financial commitments, on capacity-building initiatives and on the transfer of technology between countries.

At this conference, Enel promoted a number of initiatives to make an active contribution and illustrate our sustainability strategy and our low-carbon profile in terms of renewable energy, energy efficiency, smart grids and rural electrification. Combatting climate change is one of the responsibilities of a global energy organization like Enel as we seek to achieve full decarbonization by 2050, thereby contributing to the UN's Sustainable Development Goal 13 (SDG 13).

Today, about 46% of the power Enel generates comes from zero-emission sources. In 2016, Enel installed about 2 GW of new renewables capacity, mainly in the United States, Latin America and South Africa, reaching a total installed renewable-energy capacity of 36 GW, which represents 43% of the total capacity of the our generation assets (83 GW).

This confirms the Group's ongoing commitment to developing zero-emission power generation, as established in our Strategic Plan, presented last November, which calls for progressively increasing this percentage to 56% by 2019.

In terms of reducing CO₂ emissions, the Group has redefined the medium-range targets for 2020 set in last year's plan, reducing the value of specific CO₂ emissions by 25% compared with 2007 (<350 g/kWh_{eq}).

In 2016, this figure decreased by about 3% compared with 2015, a reduction which was due to the greater use of gas-

fueled plants over coal-fired plants in the generation of thermoelectric energy.

In 2016, there was a general decline in the value of specific atmospheric emissions, with sulfur dioxide emissions decreasing by about 23% on 2015, a year when the value had increased temporarily for operational reasons, nitrogen oxide emissions falling by about 4% and particulates decreasing by about 15% compared with the previous year. These values are in line with the targets the Group has set for 2020 and are due mainly to the change in the scope of consolidation with the disposal of assets in Slovakia.

A key element of our environmental policy is the gradual application of our internationally recognized Environmental Management Systems to all Enel Group operations.

The Enel Group has an environmental management system that covers almost 100% of all activities (generation plants, grids, services, properties, sales, etc.). The entire scope of operations is certified except for new plants and newly acquired or constructed installations, which require a certain amount of time for certification. The Group certificate provides full coverage of all operations and ensures certification of the Group's environmental policy and program through constant monitoring, verification, revision and certification of all assets.

Within the scope of our nuclear technology activities, Enel is publicly committed to ensuring that our plants adopt a clear nuclear safety policy and that those facilities are operated based on standards that ensure absolute priority for safety and protection of employees, the general public and the environment. The policy in respect of nuclear safety is to encourage excellence in all plant activities based on a strategy that seeks to go beyond mere compliance with applicable laws and regulations and to ensure the adoption of management approaches that embody the principles of continuous improvement and managing risk in a safe, secure manner.

Water resource management

Water is an essential part of electricity generation, and Enel is fully aware that the availability of this resource is seen as being a critical part of future energy scenarios. Enel has long sought to enhance the efficiency of its management of the water we use, and we conduct ongoing monitoring of all power plants located in areas threatened by water scarcity at the following levels of analysis:

- > periodic mapping of all production sites in order to identify potential risks in terms of water availability;
- > assessment of the consumption of fresh water;
- > measures to optimize the use of sea water and waste water;
- > monitoring of climate and vegetation data for the various sites.

Globally, Enel returns about 99% of the water used, and about 8% of the Enel Group's electricity output used or consumed fresh water in "water-stressed" areas.

In 2016, overall water consumption totaled about 150 million cubic meters, a reduction of 14% from 2015 due to a reduction in thermoelectric power generation.

Within this figure for total consumption, about 4% was re-

used water. Specific demand in 2016 came to 0.55 l/kWh, a reduction of 8.3% from 2015, which is in line with Enel's commitment to reducing water consumption by 30% compared with 2010 levels by 2020.

Preserving biodiversity

Preserving biodiversity is one of the strategic objectives of Enel's environmental policy. The Group promotes projects in the various areas in which we operate in order to help protect local species, their natural habitats and the local ecosystems in general. These projects cover a vast range of areas, including: monitoring; programs and projects to protect specific species; methodological research and other studies; repopulation and reforestation; and the construction of infrastructure support to promote the presence and activities of various species (e.g. artificial nests along power distribution lines). Enel also coordinates the activities of the working group on Biodiversity Measurement, Valuation and Reporting of the World Business Council for Sustainable Development, which was created by the organization to enable companies to discuss how businesses can work responsibly to protect biodiversity in their own operations.

Human resource management, development and motivation

As at December 31, 2016, the total workforce of the Enel Group numbered 62,080 employees, 51% of whom in companies in Italy and 49% located abroad.

The net decrease of 5,800 employees during the year was due mainly to the deconsolidation of Slovenské elektrárne. Of the total of 3,360 new hires, 34% were in Italy while the remaining 66% were distributed among the various countries abroad.

In 2016, the organizational model was updated to reflect the merger of the Global Lines of Upstream Gas and Trading, the merger of Enel Green Power within the organizational matrix of the Group with the creation of the Renewable Energy Global Line and the transfer of management of the major hydroelectric plants from the Power Generation Global Line (which has thereby been renamed Thermal Power Generation) to the Renewable Energy Global Line and the creation of the two new regions of North & Central America and Sub-Saharan Africa & Asia in order to ensure the effective organizational coverage of these constantly evolving geographic areas.

In 2016, the "Open Power" model of values and conduct for everyone who works for Enel was applied to various aspects of operations in order to increase involvement and the ability of senior management to convey news related to this new strategy so that people can better understand how they can make a contribution. This model acts as a point of reference both in the new recruiting process and in the performance appraisal process. With regard to the new recruiting process, which involved all countries within the scope of Enel's operations, Recruitment Days were organized for recent university graduates in Italy, Spain, Brazil, Romania, Chile, Colombia and Peru. This is an innovative approach both for the candidates and for the people within the various areas of business, who had the opportunity to assess the technical skills, conduct, ability to interact and, above all, the culture fit of future employees.

In 2016, we launched the new process of evaluating performance in both qualitative and quantitative terms. Qualitative performance appraisal is a four-stage process: self-assessment and appraisal, the two stages in which the employee

and the reviewer assign scores for the 10 aspects of the appraisal model; calibration of the scores provided and feedback, in which the employee and his or her supervisor meet to discuss the appraisal and determine the consequent development efforts for the following year. This year, we also introduced reverse feedback, whereby feedback becomes reciprocal and the feedback meeting becomes an opportunity of sharing in order to improve the performance of both the employee and the reviewer, while also strengthening the relationship of trust and mutual support.

The global campaign reached 100% of the people reachable and 99% of the total was appraised. Feedback was provided by 87% of the total.

Quantitative appraisals, in turn, were conducted for employees with variable salary components, which involved the assignment of targets and the assessment of those targets.

In line with 2015, and in order to identify the talent best suited to filling positions of particular strategic interest, the Succession Plan was also executed during the year.

The main challenge in 2016 was the selection of successors who are ready in the short term and those who are in the pipeline, i.e. ready over the longer term, to fill all of the Group's management positions, with particular emphasis being placed on young people, on women and on taking advantage of international and cross-functional experience. For these successors, individual development projects were defined both based on their specific personal and professional profiles and in relation to the positions for which they have been selected.

The Climate and Safety survey was another important moment of discussion and interaction. Compared with previous editions, the survey involved people right from the preliminary stages in order to determine priorities and define the questionnaire together.

Some 60,000 people were invited to respond to the survey, and this represents 100% of reachable employees. Of these, 84% took the opportunity to express their opinion and 54% of these contributed suggestions in response to the open-ended question.

The results of the survey paint a positive picture overall,

with 75% of all employees feeling engaged, 79% believing in company goals and 85% saying that Enel is a good place in which to work.

Diversity and inclusion

Enel's commitment to promoting diversity in all its forms – in terms of gender, age, culture and ability – continued in 2016. Thomson Reuters has included Enel among the 100 top companies in the world in terms of diversity and inclusion in the workplace.

More specifically, Enel is the first of the five Italian organizations included in the top 100 and is one of only two electrical utility firms in the top 50.

Inclusion in this index testifies to how equal opportunities, inclusion and non-discrimination underlie a business strategy centered around innovation and sustainability. In 2016 in particular, in implementation of the Group's policies of diversity and inclusion, a group diversity manager was appointed and work is underway to select diversity managers in the various countries. We have also defined specific indicators to help monitor progress made in the various actions begun undertaken.

Labor relations

Enel complies with the labor laws of the various countries in which we operate and with the International Labor Organization (ILO) conventions on labor rights (freedom of association and of collective bargaining, consultation, the right to strike, etc.), while systematically promoting dialog between the parties and seeking an adequate level of agreement on and participation in company strategies by employees.

Labor relations efforts at the Group level continue to be conducted in accordance with the model established under Enel's Global Framework Agreement (GFA) signed in Rome in 2013 with the Italian federations and with the global federations IndustriAll and Public Services International. This agreement is based on the principles of human rights, of labor rights and of the best, most advanced systems of transnational labor relations for multinational corporations and international organizations, including the ILO.

Responsible relations with our communities

Looking constantly and proactively towards the needs and priorities of society enables us to take on challenges and to continue enhancing the competitiveness of our business model by developing new strategies and innovative business processes. The creation of “shared value” for the Company and all our stakeholders presents an opportunity to unite competitiveness with the creation of value for society over the long term, and it is on this area that Enel has been focused in recent years.

Operating across such a vast geographic area, which encompasses both mature and emerging markets, requires that we deal with a range of different contexts and that we have in-depth knowledge of the communities and their needs, so as to identify targeted business solutions. Today, access to energy as a driver of growth comes in an increasingly diverse array of innovative forms in every field. Alongside traditional plants, we are seeing both on-grid and off-grid smart solutions, and new formulas are being defined to combat energy poverty while, at the same time, developing technologically advanced solutions for challenging markets and demanding customers.

Such variety is only possible taking an inclusive approach right from the early stages of business development. Identifying the relevant stakeholders involved in a project and mapping needs as opportunities for growth, all while maintaining a constructive dialog, enable us to prevent potential impacts and identify solutions that create shared value over the long term. Local needs are interconnected with company goals by way of a materiality matrix specific to each site in order to

identify those projects and initiatives best suited to meeting shared priorities. The operative word here is “co-creation”. Projects are designed and executed together with the local communities in order to be calibrated to their specific needs. This inclusive approach towards stakeholders is also increasingly producing solutions based on the circular economy. For example, waste materials such as worksite pallets can be transformed into raw materials to be used in carpentry or by local small businesses through specific training and business development programs. Power plants that are being shut down can also be converted for other purposes based on the needs of the community by involving the various stakeholders.

In 2016, with over 900 projects and more than six million beneficiaries in the various countries in which we operate, Enel made a concrete contribution to the social and economic growth of our communities, from expanding infrastructures and providing education and training programs to social inclusion initiatives and projects to support culture and the economy, all in line with the commitments we have undertaken to achieve the Sustainable Development Goals (SDGs). The crucial lever in carrying out these projects has been our partnerships with local non-profit organizations that promote local development through innovative, custom-designed initiatives. In 2016 in particular, we had more than 400 partnerships throughout the world with local organizations, social enterprises, universities and international associations and non-governmental organizations.

Customer management

Enel’s constant commitment to providing our customers high-quality products and services, as well as the care and attention we pay to those same customers, has enabled the Group to acquire new customers in areas such as Latin America, for the electricity market, and in Italy and Spain for the gas market.

Through products designed for both the residential and business markets, the company has confirmed proposals made over the years by providing dedicated offerings that come with a lower environmental impact and positive returns for society. In Italy, we launched the *SPECIALE LUCE* offering, which features the exclusive use of energy certified to be from renewable sources, and confirmed the offerings *EnergiaX65* and *EnergiaXOggi*, which were launched in

2015. These latter two offerings also feature the exclusive use of energy certified to be from renewable sources and have a great social impact thanks to the benefits they bring to various vulnerable groups, such as the elderly.

In July 2016, we also launched the Smart Hotel offering designed for sustainable tourism in precise segments of the business market. This offering includes the provision of 100% renewable energy and even a health-care policy free of charge for hotel guests. Another particularly significant agreement has been reached in Spain between Enel and the City of Madrid, which will be served exclusively with renewable energy for 2017. Following this same approach, offerings for the provision of electricity together with insurance packages were launched in Romania, and a pilot pro-

ject has been launched which seeks to improve access to electricity for vulnerable segments of the population of Bucharest. In addition, in order to actively increase customer awareness of green issues, the new site for Enel Romania contains information on the benefits that electronic billing (eBill) has on the environment.

The leadership of a company such as Enel necessarily involves paying great attention both to the customer and to service quality, aspects that concern more than just the provision of electricity and/or natural gas, extending, above all, to intangible aspects of our service that concern the perception and satisfaction of our customers.

In this area, too, Enel has defined numerous processes aimed at ensuring our customers receive high-quality service. In Italy, the commercial quality of all our channels of contact is ensured through systematic monitoring of the sales and management processes in order to ensure compliance with applicable laws and regulations and that we respect the privacy, freedom and dignity of our customers. To this end, there is the New Quality Control Model, which introduces contractual KPIs, associated with minimum thresholds for the assignment of bonuses and penalties, for partners that manage sales and customer-care activities. On the Iberian peninsula, we continue to have the *Plan de Excelencia en la Atención Comercial* (Excellence in Customer Service Plan), which is entirely aimed at improving customer satisfaction indicators, and in Romania customers can provide feedback by way of a range of channels, including our contact center and web site.

We have also launched various campaigns and programs to promote the efficient use of energy. To this end, in Colombia, we ran the social-media campaign "*No malgastes tu energía innecesariamente, tampoco la de tu hogar*" (Don't waste your energy unnecessarily, even in the home) with the goal of generating widespread awareness of the intelligent use of energy. In Brazil, too, a great deal of emphasis has been placed on energy efficiency and energy awareness with the development of projects such as "*Enel Comparte Consumo Consciente*" (Enel Sharing Informed Consumption) and "*Enel Comparte Eficiencia*" (Enel Sharing

Efficiency), the goal of which was to provide educational programs while, at the same time, replacing light bulbs and appliances with new, more efficient products that help to reduce energy consumption.

Technological innovation and digitalization are important issues for a company such as Enel, constantly committed to finding new solutions to offer our customers. In Italy, for example, we launched smart-home initiatives in 2016 in order to contribute to the development of technologies with a lower environmental impact, as well as energy services with the introduction of the sale of high-efficiency home appliances and smart energy solutions (SES) that enable businesses to save up to 30% on energy consumption. In October, we also launched an energy-storage line for customers interested in increasing their consumption of self-generated energy from their photovoltaic systems. In the area of home automation, we have the "e-goodlife" range of innovative, useful services centered around energy awareness and remotely controlling the home. In Spain, too, by way of the Endesa-Nexo initiative, we are proposing new solutions to our customers for the management of home devices via web, while also continuing to develop "integral solutions" that enable customers to purchase high-efficiency home appliances and other devices with Enel's full support, from installation to product management. In Chile, we developed the Solar Electric and Full Electric projects, which provide technologically advanced solutions using renewable energy that help end users increase their energy efficiency so as to reduce their environmental impact while they save money.

Enel has also confirmed our interest in sustainable mobility by creating dedicated offerings and initiatives, including in Italy, where we launched *e-Go Ricarica*, a time-based rather than consumption-based offering with top-ups via app and *e-Go All Inclusive*, the integrated e-mobility offering created by Enel Energia and Nissan. During the year, we also signed agreements with Mercedes-Benz and Nissan, who were then joined by BMW, to promote e-mobility, which led to the "Enel Editions", the first full-electric vehicles under the brand of a leading utility company.

Customers by geographical area

Average no.

	2016	2015		Change
Electricity:				
- Italy	26,776,635	27,072,083	(295,448)	-1.1%
- Latin America	15,478,255	15,074,266	403,989	2.7%
- Iberian Peninsula ⁽¹⁾	11,047,937	11,111,105	(63,168)	-0.6%
- Romania	2,736,908	2,691,849	45,059	1.7%
- Other countries	-	7,274	(7,274)	-
Total electricity customers	56,039,735	55,956,577	83,158	0.1%
Natural gas:				
Italy	3,876,191	3,711,422	164,769	4.4%
Spain ⁽¹⁾	1,513,379	1,286,443	226,936	17.6%
Total natural gas customers	5,389,570	4,997,865	391,705	7.8%

(1) Restated 2015 figures for Iberian Peninsula and Spain.

Sustainable supply chain

At Enel, we base our procurement processes on pre-contractual and contractual conduct centered around mutual fidelity, transparency and collaboration. In addition to meeting certain quality standards, the services of our vendors must also go hand in hand with the adoption of best practices in terms of human rights, health and safety in the workplace and environmental and ethical responsibility.

Our procedures are designed to guarantee service quality in full respect of the principles of economy, effectiveness, timeliness, fairness and transparency.

In 2016, we signed new agreements with a total of about 36,000 suppliers.

Vendor management involves three essential stages, which integrate social, environmental and governance issues in the evaluation process. These are:

- 1) Qualification system;
- 2) General terms and conditions;
- 3) Vendor ratings.

Enel's global vendor-qualification system (with 7,248 active quali-

fications as at December 31, 2016) enables us to accurately assess businesses that intend to participate in tender processes and acts as a guarantee for the Company, while the vendor-rating system seeks to monitor vendor services in terms of the quality, timeliness and sustainability of contract execution.

In 2016, we continued working on the Sustainable Supply Chain project, which has led to a standardization in the parameters used to monitor businesses in terms of environmental impact, safety and the respect of human rights, and we defined specific sustainability requirements that are in line with international best practice and which will become mandatory in 2017 for all vendors wanting to be included in Enel's register of qualified businesses.

Finally, project One Safety, a mechanism based on observing the conduct of contractor employees in order to promote safe conduct, also continued during the year. In accordance with the Safety Policy, each Division of the Enel Group has been organizing training and discussion sessions with contractors (see the section "Workplace health and safety" below).

Workplace health and safety

Enel considers employee health, safety and general wellbeing to be the most valuable asset, one to be protected both at work and at home, and we are committed to developing and promoting a strong culture of safety throughout the world. Quality and safety must go hand in hand. The constant commitment of us all, the integration of safety both in

our processes and in our training, the reporting and analysis of near misses, rigor in the selection and management of contractors, constant control over quality, the sharing of experience throughout the Group and benchmarking against the leading international players are all cornerstones to Enel's culture of safety.

Safety rates

No.	2016	2015	Change	
Injury frequency rate - Enel	1.26	1.27	(0.01)	-0.8%
Injury severity rate - Enel	0.051	0.047	0.004	8.5%
Serious and fatal injuries at Enel				
Serious injuries ⁽¹⁾	6	3	3	-
Fatal injuries	-	4	(4)	-
Total	6	7	(1)	-14.3%
Serious and fatal injuries at contractors				
Serious injuries ⁽¹⁾	7	24	(17)	-70.8%
Fatal injuries	5	9	(4)	-44.4%
Total	12	33	(21)	-63.6%

(1) Injuries with an initial prognosis, as reported on the medical certificate issued, of greater than 30 days, or with a confidential prognosis until the actual prognosis is released, or with an unknown prognosis that, based on an initial assessment by the company/Division concerned, is expected to exceed 30 days. Once the official prognosis is released, the related injury is considered serious only if said prognosis exceeds 30 days. Should a confidential prognosis never be released or an unknown prognosis remain unknown, within 30 days of the event, the injury is to be deemed serious.

Workplace accident statistics

In 2016, the lost time injury frequency rate (LTIFR) and lost day rate (LDR) for Enel Group employees were 0.25 and 10.10, respectively, an increase on 2015. These rates for contractors came to 0.20 (down 34% from 2015) and 8.28 (down 24% from 2015), respectively.

In 2016, there were no fatal injuries involving employees of the Enel Group, although there were 5 fatal injuries involving Enel Group contractors (4 fewer than in 2015).

Our policies for the classification, communication, analysis and reporting of incidents establish the roles and procedures that ensure the timely reporting of accidents, analysis of their cause and definition and monitoring of improvement plans. The policies also detail the procedures for disclosing and analyzing near misses that could have resulted in serious harm.

In accordance with these policies, all serious and fatal injuries to Enel employees and the employees of Enel contractors and other significant, non-serious events have been investigated by a team of experts.

These investigations have found the causes of the injuries to be due, first and foremost, to unsafe conduct and deficiencies in work planning, management and supervision. Actions for improvement emerging from this analysis are constantly monitored until their completion, and steps have been taken in relation to contractors found to be in breach of contract (e.g. contract termination, suspension of certification, etc.).

Safety in tender processes

Safety is tightly integrated into Enel's tender process, and we closely monitor our contractors' performance both ex ante by way of our qualification system and ongoing as the contracts progress through numerous control processes.

Our General Contracting Conditions (GCC), which apply to the entire Enel Group, include clauses dedicated to health and safety (H&S). In 2016, we completed the process of revising the system of vendor selection and certification.

The new model, which is used by all of the Group's lines of business, establishes stricter rules for selecting companies based on their H&S performance. Our vendor rating system is a consolidated process used to monitor activities as a contract progresses. H&S performance is measured using a specific indicator and, since 2015, application of a global model for vendor ratings enables us to also consider the impact of significant injuries to contractor employees.

All companies that work with the Enel Group must share in the various health and safety standards. For this reason, contractors are involved in many initiatives aimed at promoting a culture of safety. To this end, the event "Safety Personalized Plan - Contractors" was organized in Italy in 2016 with a group of contractors working for more than one line of businesses and on the product groups with a significant impact on safety, so as to establish a shared commitment to implementing the established actions for improvement. In 2016, field inspections of work entrusted to contractors continued, for over 250,000 controls conducted throughout the Group.

In 2016, Extra Checking on Sites (ECoS) increased by 56% compared with 2015 for 219 ECoS inspection conducted

with the goal of assessing the adequacy of the organization and H&S processes and overall commitment to H&S issues.

Safety for the community and other third parties

All Enel facilities are constructed in accordance with local laws and regulations and with the standards of best practice. They are also covered by health and safety management systems based on the international OHSAS 18001 standard. Plant, machinery and equipment are systematically controlled and periodically maintained in order to ensure they function properly in accordance with applicable laws and regulations and with industry best practice.

Infrastructure safety and technological innovation

Through innovation, technology is able to support our H&S efforts, from training and preventive analysis to corrective controls. In 2016, a number of projects of safety innovation continued from 2015 and other new projects were introduced:

- > “Virtual Reality 3D Simulator for Health and Safety Training,” a project that began in 2015 and continued in 2016 to apply virtual reality to H&S training in order to increase employee awareness of safe, responsible conduct by learning from their mistakes;
- > augmented reality: in 2016, devices were introduced for maintenance and operations in order to increase safety in the workplace. A smartphone app provides worker with real-time information about the activity they are currently engaged in;
- > “Man Down Detection,” a project currently involving contractors, the purpose of which is to ensure the safety of workers conducting activities on their own. Using a personal device that monitors worker movement, a warning message is sent to the control room in the event of a fall or a lack of motion for an excessive period of time;
- > “Active Safety at Work (ASW)” is an application that makes it possible to self-verify the use of proper personal protection equipment based on the specific activity to be conducted;
- > use of inspection drones in flues, furnaces and canals in order to prevent risks related to human workers accessing these areas directly;

- > implementation of the smartphone and tablet app AP-P5RO, which is used to provide photographic documentation of the proper execution of the various steps of electrical work in accordance with Enel’s Five Golden Rules (namely: 1. Completely isolate the system; 2. Protect against reconnection and place warning signs; 3. Ensure there is no current in the system; 4. Ensure proper grounding and short-circuiting; 5. Mark off the working area and ensure the protection of nearby workers).

Development of the Culture of Safety: communication and training

The eighth edition of International Health and Safety Week was held from November 14 to 20, 2016. This event represents a global opportunity for Enel to reflect on issues of health and safety for all our employees. Some 1,400 events were held in 19 countries and involved both contractors and Enel personnel for a total of more than 72,000 people.

There were also several communication campaigns concerning health and safety during the year, focusing on areas of particular importance to the organization. In 2016, we provided nearly 800,000 hours of safety training and awareness activities to Enel employees in order to increase the specific skills and knowledge of workers throughout the Group.

Health

The Enel Group has created a structured health management system based on preventive measures in order to develop a corporate culture centered on the promotion of the physical, emotional and organizational wellbeing and on establishing work-life balance. To this end, the Group carries out local and global awareness campaigns to promote healthy lifestyles, sponsors screening programs aimed at preventing illness and ensures the provision of medical services.

Global programs and initiatives are developed in accordance with the calendar of the World Health Organization and with local needs.

Alongside the various global activities, country-specific health initiatives have also been launched which include screening and early-diagnosis programs.

The Enel Group implements a systematic, ongoing process of identifying and assessing work-related stress in accordance with our policies for stress-at-work prevention and wellbeing-at-

work promotion. This enables us to identify, prevent and manage stress in the workplace that could afflict either individuals or broader segments of the organization, while also providing a series of indications aimed at promoting a general culture of wellbeing.

In 2016, we also issued travel policies in order to standardize the process of preventing the risk of contracting local illnesses and the provision of support in the event of illness or injury, including emergency rescue, for employees who travel for work.

Net efficient capacity by primary energy source

GW

	2016	2015	Change	
Net efficient thermal capacity:				
- coal	16.103	16.841	(0.738)	-4.4%
- CCGT	15.100	16.099	(0.999)	-6.2%
- fuel oil/gas	12.251	14.637	(2.386)	-16.3%
Total	43.454	47.577	(4.123)	-8.7%
Net efficient nuclear capacity	3.318	5.132	(1.814)	-35.3%
Net efficient renewable capacity:				
- hydroelectric	27.425	29.046	(1.621)	-5.6%
- wind	6.532	6.653	(0.121)	-1.8%
- geothermal	0.761	0.833	(0.072)	-8.6%
- biomass and co-generation	0.057	0.099	(0.042)	-42.4%
- other	1.132	0.402	0.730	-
Total	35.907	37.033	(1.126)	-3.0%
Total net efficient capacity	82.679	89.742	(7.063)	-7.9%

Net efficient capacity by geographical area

GW

	2016	2015	Change	
Italy	27.760	30.715	(2.955)	-9.6%
Iberian Peninsula	22.744	22.912	(0.168)	-0.7%
Latin America	20.212	19.179	1.033	5.4%
Russia	8.944	8.944	-	-
Slovakia	-	4.032	(4.032)	-
North America	1.495	2.506	(1.011)	-40.3%
Romania	0.534	0.534	-	-
Belgium	-	0.406	(0.406)	-
Greece	0.290	0.290	-	-
Bulgaria	0.042	0.042	-	-
India	0.172	0.172	-	-
South Africa	0.486	0.010	0.476	-
Total net efficient capacity	82.679	89.742	(7.063)	-7.9%

Net electricity generation by primary energy source

GWh

	2016	2015	Change	
Net thermal electricity generation:				
- coal	72,342	85,677	(13,335)	-15.6%
- CCGT	40,303	40,542	(239)	-0.6%
- fuel oil/gas	29,749	28,682	1,067	3.7%
Total	142,394	154,901	(12,507)	-8.1%
Net nuclear electricity generation	33,444	39,837	(6,393)	-16.0%
Net renewable generation:				
- hydroelectric	60,031	65,939	(5,908)	-9.0%
- wind	18,294	16,204	2,090	12.9%
- geothermal	6,194	6,205	(11)	-0.2%
- biomass and co-generation	226	241	(15)	-6.2%
- other	1,229	685	544	79.4%
Total	85,974	89,274	(3,300)	-3.7%
Total net electricity generation	261,812	284,012	(22,200)	-7.8%

Net electricity generation by geographical area

GWh

	2016	2015	Change	
Italy	60,912	68,519	(7,607)	-11.1%
Iberian Peninsula	72,323	77,444	(5,121)	-6.6%
Latin America	65,805	67,114	(1,309)	-2.0%
Russia	41,062	42,090	(1,028)	-2.4%
Slovakia	9,684	18,292	(8,608)	-47.1%
North America	8,628	7,368	1,260	17.1%
Romania	1,235	1,330	(95)	-7.1%
Belgium	977	1,150	(173)	-15.0%
Greece	559	549	10	1.8%
Bulgaria	96	90	6	6.7%
South Africa	203	18	185	-
India	328	48	280	-
Total net electricity generation	261,812	284,012	(22,200)	-7.8%

Other generation ratios

	2016	2015	Change	
Generation from renewable resources (% of total)	32.8	31.4	1.4	4.5%
"Zero-emission" generation (% of total)	45.6	45.5	0.1	0.2%
ISO 14001-certified net efficient capacity (% of total)	97.9	97.6	0.3	0.3%
Average efficiency of thermal plants (%) ⁽¹⁾	40.0	39.7	0.3	0.7%
Specific emissions of CO ₂ from net generation (gCO ₂ /kWh _{eq}) ⁽²⁾	395	409	(14)	-3.4%
Specific water withdrawal (l/kWh _{eq})	0.55	0.60	(0.05)	-8.3%

(1) Percentages calculated using a new approach that does not include the Italian oil and gas thermal plants, with the exception of Mercure, as they are of marginal significance or are being disposed of. The contribution of the O&G thermal plants was not included in the Net Heat Value owing to the small number of hours of operation and net output (less than 1% of Italian output with a net installed capacity of about 2.7 GW). The Mercure plant was included, even though classified as an O&G unit, because of the use of biomass as the principal fuel and because it is a base load unit. The heat component for Russian co-generation plants is not included in the calculation. Average efficiency is calculated on the plants and is weighted by production values.

(2) Specific emissions have been calculated by taking account of the total emissions from simple thermal generation, and combined electrical and thermal generation, as a ratio to the total generated by renewable sources, nuclear, simple thermal and combined electrical and thermal generation (including the thermal contribution in MWh equivalent).

Related parties

As an operator in the field of generation, distribution, transport and sale of electricity and the sale of natural gas, Enel carries out transactions with a number of companies direct-

ly or indirectly controlled by the Italian State, the Group's controlling shareholder.

The table below summarizes the main types of transactions carried out with such counterparties.

Related party	Relationship	Nature of main transactions
Acquirente Unico - Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhanced protection market
Cassa Depositi e Prestiti Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market (Terna) Sale of electricity transport services (Eni Group) Purchase of transport, dispatching and metering services (Terna) Purchase of postal services (Poste Italiane) Purchase of fuels for generation plants and natural gas storage and distribution services (Eni Group)
GSE - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
GME - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange (GME) Purchase of electricity on the Power Exchange for pumping and plant planning (GME)
Leonardo Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods

In addition, the Group conducts essentially commercial transactions with associated companies or companies in which it holds minority interests.

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

All transactions with related parties were carried out on

normal market terms and conditions, which in some cases are determined by the Authority for Electricity, Gas and the Water System.

For more details on transactions with related parties, please see the discussion in note 47 to the consolidated financial statements.

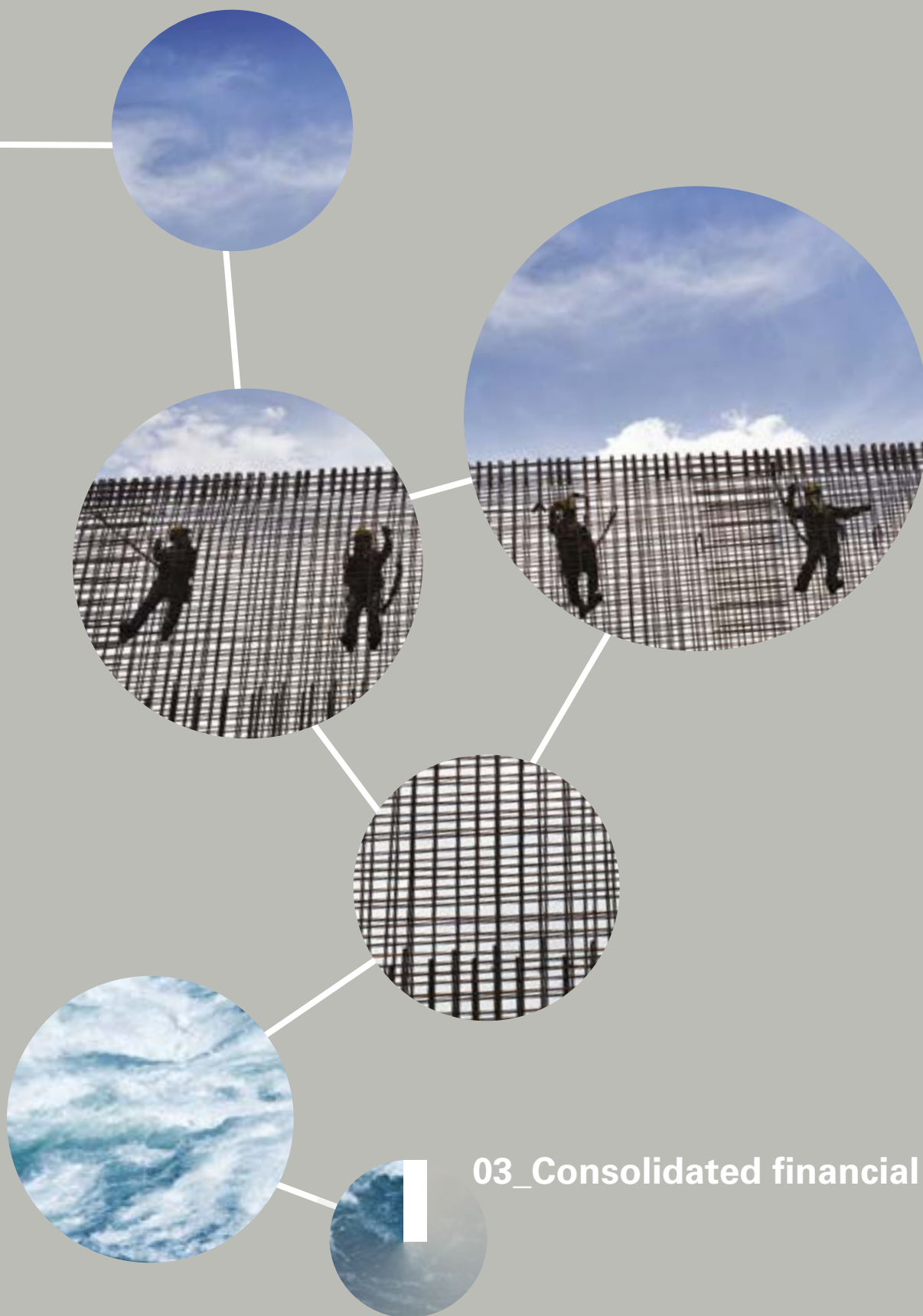
Reconciliation of shareholders' equity and net income of Enel SpA and the corresponding consolidated figures

Pursuant to CONSOB Notice DEM/6064293 of July 28, 2006, the following table provides a reconciliation of Group

results for the year and shareholders' equity with the corresponding figures for the Parent Company.

Millions of euro	Income statement	Shareholders' equity	Income statement	Shareholders' equity
	at Dec. 31, 2016		at Dec. 31, 2015	
Financial statements - Enel SpA	1,720	26,916	1,011	24,880
Carrying amount and impairment adjustments of consolidated equity investments and equity investments accounted for using the equity method	792	(68,270)	13,510	(69,180)
Shareholders' equity and net income (calculated using harmonized accounting policies) of the consolidated companies and groups and those accounted for using the equity method, net of non-controlling interests	4,620	65,865	(9,287)	67,680
Translation reserve	-	(1,005)	-	(1,956)
Consolidation differences at the Group consolidation level	(31)	9,221	(13)	9,281
Intercompany dividends	(4,138)	-	(2,737)	-
Elimination of unrealized intercompany profits, net of tax effects and other minor adjustments	(393)	2,076	(288)	1,671
TOTAL SHAREHOLDERS OF THE PARENT COMPANY	2,570	34,803	2,196	32,376
NON-CONTROLLING INTERESTS	1,217	17,772	1,176	19,375
CONSOLIDATED FINANCIAL STATEMENTS	3,787	52,575	3,372	51,751





03_Consolidated financial statements

Financial statements

Consolidated Income Statement

Millions of euro

Notes

		2016		2015	
		of which with related parties		of which with related parties	
Revenue					
Revenue from sales and services	7.a	68,604	4,550	73,076	5,583
Other revenue and income	7.b	1,988	20	2,582	314
	[Subtotal]	70,592		75,658	
Costs					
Electricity, gas and fuel purchases	8.a	32,039	6,603	37,644	7,089
Services and other materials	8.b	17,393	2,577	16,457	2,431
Personnel	8.c	4,637		5,313	
Depreciation, amortization and impairment losses	8.d	6,355		7,612	
Other operating expenses	8.e	2,783	312	2,654	54
Capitalized costs	8.f	(1,669)		(1,539)	
	[Subtotal]	61,538		68,141	
Net income/(expense) from commodity contracts measured at fair value	9	(133)	29	168	(24)
Operating income		8,921		7,685	
Financial income from derivatives	10	1,884		2,455	
Other financial income	11	2,289	21	1,563	15
Financial expense from derivatives	10	2,821		1,505	
Other financial expense	11	4,339	39	4,969	29
Share of income/(losses) of equity investments accounted for using the equity method	12	(154)		52	
Income before taxes		5,780		5,281	
Income taxes	13	1,993		1,909	
Net income from continuing operations		3,787		3,372	
Net income from discontinued operations		-		-	
Net income for the year (shareholders of the Parent Company and non-controlling interests)		3,787		3,372	
Attributable to shareholders of the Parent Company		2,570		2,196	
Attributable to non-controlling interests		1,217		1,176	
Basic earnings/(loss) per share attributable to shareholders of the Parent Company (euro)	14	0.26		0.23	
Diluted earnings/(loss) per share attributable to shareholders of the Parent Company (euro)	14	0.26		0.23	
Basic earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)	14	0.26		0.23	
Diluted earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)	14	0.26		0.23	

Statement of Consolidated Comprehensive Income

Millions of euro

Notes

		2016	2015
Net income for the year		3,787	3,372
Other comprehensive income recyclable to profit or loss (net of taxes)			
Effective portion of change in the fair value of cash flow hedges		(34)	359
Share of the other comprehensive income of equity investments accounted for using the equity method		(18)	29
Change in the fair value of financial assets available for sale		(24)	25
Change in translation reserve		1,952	(1,743)
Other comprehensive income not recyclable to profit or loss (net of taxes)			
Remeasurement of net employee benefit liabilities/(assets)		(239)	184
Total other comprehensive income/(loss) for the period	32	1,637	(1,146)
Total comprehensive income/(loss) for the period		5,424	2,226
Attributable to:			
- shareholders of the Parent Company		3,237	2,191
- non-controlling interests		2,187	35

Consolidated Balance Sheet

Millions of euro

Notes

ASSETS		at Dec. 31, 2016		at Dec. 31, 2015	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Non-current assets					
Property, plant and equipment	15	76,265		73,307	
Investment property	18	124		144	
Intangible assets	19	15,929		15,235	
Goodwill	20	13,556		13,824	
Deferred tax assets	21	6,665		7,386	
Equity investments accounted for using the equity method	22	1,558		607	
Derivatives	23	1,609		2,343	
Other non-current financial assets	24	3,892		3,274	
Other non-current assets	25	706		877	
	<i>[Total]</i>	120,304		116,997	
Current assets					
Inventories	26	2,564		2,904	
Trade receivables	27	13,506	958	12,797	937
Income tax receivables		879		636	
Derivatives	23	3,945	18	5,073	
Other current financial assets	28	3,053	135	2,381	2
Other current assets	29	3,044	109	2,898	135
Cash and cash equivalents	30	8,290		10,639	
	<i>[Total]</i>	35,281		37,328	
Assets classified as held for sale	31	11		6,854	
TOTAL ASSETS		155,596		161,179	

LIABILITIES AND SHAREHOLDERS' EQUITY		at Dec. 31, 2016		at Dec. 31, 2015	
		of which with related parties		of which with related parties	
Equity attributable to shareholders of the Parent Company					
Share capital		10,167		9,403	
Other reserves		5,152		3,352	
Retained earnings/(Loss carried forward)		19,484		19,621	
	[Total]	34,803		32,376	
Non-controlling interests		17,772		19,375	
Total shareholders' equity	32	52,575		51,751	
Non-current liabilities					
Long-term borrowings	33	41,336	1,072	44,872	1,161
Employee benefits	34	2,585		2,284	
Provisions for risks and charges - non-current	35	4,981		5,192	
Deferred tax liabilities	21	8,768		8,977	
Derivatives	23	2,532		1,518	
Other non-current liabilities	36	1,856	23	1,549	4
	[Total]	62,058		64,392	
Current liabilities					
Short-term borrowings	33	5,372		2,155	
Current portion of long-term borrowings	33	4,384	89	5,733	89
Provisions for risks and charges - current	35	1,433		1,630	
Trade payables	37	12,688	2,921	11,775	2,911
Income tax payable		359		585	
Derivatives	23	3,322	11	5,509	
Other current financial liabilities	38	1,264		1,063	
Other current liabilities	40	12,141	28	11,222	14
	[Total]	40,963		39,672	
Liabilities included in disposal groups classified as held for sale	31	-		5,364	
Total liabilities		103,021		109,428	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		155,596		161,179	

Statement of Changes in Consolidated Shareholders' Equity (note 32)

Share capital and reserves attributable to shareholders of the Parent Company

	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve from translation of financial statements in currencies other than euro	Reserve from measurement of cash flow hedge financial instruments	Reserve from measurement of financial instruments AFS
At January 1, 2015	9,403	5,292	1,881	2,262	(1,321)	(1,806)	105
Distributions of dividends and interim dividends	-	-	-	-	-	-	-
Transactions in non-controlling interests	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	(635)	465	25
of which:							
- other comprehensive income/(loss) for the period	-	-	-	-	(635)	465	25
- net income/(loss) for the period	-	-	-	-	-	-	-
At December 31, 2015	9,403	5,292	1,881	2,262	(1,956)	(1,341)	130
Distributions of dividends and interim dividends	-	-	-	-	-	-	-
Allocation of net income for the previous year	-	-	153	-	-	-	-
Capital increase for non-proportional demerger of Enel Green Power	764	2,197	-	-	119	(31)	-
Transactions in non-controlling interests	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	(136)	21	-
Comprehensive income for the period	-	-	-	-	968	(97)	(24)
of which:							
- other comprehensive income/(loss) for the period	-	-	-	-	968	(97)	(24)
- net income/(loss) for the period	-	-	-	-	-	-	-
At December 31, 2016	10,167	7,489	2,034	2,262	(1,005)	(1,448)	106

Reserve from equity investments accounted for using the equity method	Reserve from remeasurement of net liabilities/ (assets) of defined benefit plans	Reserve from disposal of equity interests without loss of control	Reserve from acquisitions of non-controlling interests	Retained earnings/(Loss carried forward)	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total shareholders' equity
(74)	(671)	(2,113)	(193)	18,741	31,506	19,639	51,145
-	-	-	-	(1,316)	(1,316)	(767)	(2,083)
-	-	(2)	(3)	-	(5)	469	464
-	-	-	-	-	-	(1)	(1)
20	120	-	-	2,196	2,191	35	2,226
					-		
20	120	-	-	-	(5)	(1,141)	(1,146)
-	-	-	-	2,196	2,196	1,176	3,372
(54)	(551)	(2,115)	(196)	19,621	32,376	19,375	51,751
-	-	-	-	(2,542)	(2,542)	(1,032)	(3,574)
-	-	-	-	(153)	-	-	-
-	1	-	(974)	(12)	2,064	(2,106)	(42)
-	-	(283)	-	-	(283)	(266)	(549)
49	17	-	-	-	(49)	(386)	(435)
(7)	(173)	-	-	2,570	3,237	2,187	5,424
(7)	(173)	-	-	-	667	970	1,637
-	-	-	-	2,570	2,570	1,217	3,787
(12)	(706)	(2,398)	(1,170)	19,484	34,803	17,772	52,575

Consolidated Statement of Cash Flows

Millions of euro

Notes

		2016		2015	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Income before taxes for the year		5,780		5,281	
Adjustments for:					
Depreciation, amortization and impairment losses	8.d	6,355		7,612	
Financial (income)/expense	10-11	2,987		2,456	
Net income of equity investments accounting for using the equity method	12	154		(52)	
Changes in net working capital:		662		(1,249)	
- inventories	26	413		274	
- trade receivables	27	(959)	(21)	(2,329)	283
- trade payables	37	1,149	10	(581)	(248)
- other assets/liabilities		59	(81)	1,387	(6)
Accruals to provisions		772		1,137	
Utilization of provisions		(1,553)		(1,243)	
Interest income and other financial income collected	10-11	1,544	21	1,715	15
Interest expense and other financial expense paid	10-11	(4,343)	(39)	(4,326)	(29)
(Income)/Expense from measurement of commodity contracts		(278)		142	
Income taxes paid	13	(1,959)		(1,516)	
(Gains)/Losses on disposals		(274)		(385)	
Cash flows from operating activities (A)		9,847		9,572	
Investments in property, plant and equipment	15	(7,927)		(7,000)	
Investments in intangible assets	19	(915)		(762)	
Investments in entities (or business units) less cash and cash equivalents acquired	5	(382)		(78)	
Disposals of entities (or business units) less cash and cash equivalents sold	5	1,032		1,350	
(Increase)/Decrease in other investing activities		105		69	
Cash flows from investing/disinvesting activities (B)		(8,087)		(6,421)	
Financial debt (new long-term borrowing)	33	2,339		1,474	
Financial debt (repayments and other net changes)	33	(4,049)	(89)	(5,015)	(89)
Transactions in non-controlling interests	32	(257)		456	
Dividends and interim dividends paid	32	(2,507)		(2,297)	
Cash flows from financing activities (C)		(4,474)		(5,382)	
Impact of exchange rate fluctuations on cash and cash equivalents (D)		250		(234)	
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)		(2,464)		(2,465)	
Cash and cash equivalents at beginning of the period ⁽¹⁾		10,790		13,255	
Cash and cash equivalents at the end of the period ⁽²⁾		8,326		10,790	

(1) Of which cash and cash equivalents equal to €10,639 million at January 1, 2016 (€13,088 million at January 1, 2015), short-term securities equal to €1 million at January 1, 2016 (€140 million at January 1, 2015) and cash and cash equivalents pertaining to "Assets held for sale" equal to €150 million at January 1, 2016 (€27 million at January 1, 2015).

(2) Of which cash and cash equivalents equal to €8,290 million at December 31, 2016 (€10,639 million at December 31, 2015), short-term securities equal to €36 million at December 31, 2016 (€1 million at December 31, 2015) and cash and cash equivalents pertaining to "Assets held for sale" equal to €150 million at December 31, 2015.

Notes to the consolidated financial statements

1

Form and content of the financial statements

Enel SpA has its registered office in Viale Regina Margherita 137, Rome, Italy, and since 1999 has been listed on the Milan stock exchange. Enel is an energy multinational and is one of the world's leading integrated operators in the electricity and gas industries, with a special focus on Europe and Latin America.

The consolidated financial statements for the period ended December 31, 2016 comprise the financial statements of Enel SpA, its subsidiaries and Group holdings in associates and joint ventures, as well as the Group's share of the assets, liabilities, costs and revenue of joint operations ("the Group"). A list of the subsidiaries, associates, joint operations and joint ventures included in the scope of consolidation is attached.

The consolidated financial statements were approved for publication by the Board on March 16, 2017.

These financial statements have been audited by EY SpA.

Basis of presentation

The consolidated financial statements for the year ended December 31, 2016 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation 2002/1606/EC and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as the "IFRS-EU".

The financial statements have also been prepared in conformity with measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005.

The consolidated financial statements consist of the con-

solidated income statement, the statement of consolidated comprehensive income, the consolidated balance sheet, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows and the related notes.

The assets and liabilities reported in the consolidated balance sheet are classified on a "current/non-current" basis, with separate reporting of assets held for sale and liabilities included in disposal groups held for sale. 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 Group or in the 12 months following the balance-sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Group or within the 12 months following the close of the financial year. The consolidated income statement is classified on the basis of the nature of costs, with separate reporting of net income/(loss) from continuing operations and net income/(loss) from discontinued operations attributable to shareholders of the Parent Company and to non-controlling interests.

The indirect method is used for the consolidated cash flow statement, with separate reporting of any cash flows by operating, investing and financing activities associated with discontinued operations.

In particular, although the Group does not diverge from the provisions of IAS 7 in the classification of items:

- > cash flows from operating activities report cash flows from core operations, interest on loans granted and obtained and dividends received from joint ventures or associates;
- > investing/disinvesting activities comprise investments in property, plant and equipment and intangible assets and disposals of such assets, including the effects of business combinations in which the Group acquires or loses control of companies, as well as other minor investments;
- > cash flows from financing activities include cash flows generated by liability management transactions, dividends paid to non-controlling interests by the Parent Company or other consolidated companies and the effects of transactions in non-controlling interests that do not change the status of control of the companies involved;

- > a separate item is used to report the impact of exchange rates on cash and cash equivalents and their impact on profit or loss is eliminated in full in order to neutralize the effect on cash flows from operating activities.

For more information on cash flows as reported in the statement of cash flows, please see the note on “cash flows” in the report on operations.

The income statement, the balance sheet and the statement of cash flows report transactions with related parties, the definition of which is given in the next section below.

The consolidated financial statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS-EU, as explained in the measurement bases applied to each individual item, and of non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

The consolidated financial statements are presented in euro, the functional currency of the Parent Company Enel SpA. All figures are shown in millions of euro unless stated otherwise. The consolidated financial statements provide comparative information in respect of the previous period.

2

Accounting policies and measurement criteria

Use of estimates and management judgment

Preparing the consolidated financial statements under IFRS-EU requires management to take decisions and make estimates and assumptions that may impact the value of revenue, costs, assets and liabilities and the related disclosures concerning the items involved as well as 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 through profit or loss if they only involve that period. If the revision involves both the current and future periods, the change is

recognized in the period in which the revision is made and in the related future periods.

In order to enhance understanding of the financial statements, the following sections examine 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

Revenue recognition

Revenue from sales to customers is recognized when the risks and rewards of the good sold or the service rendered are substantially transferred and are measured on the basis of the fair value of the consideration received or receivable. Revenue from sales of electricity and gas to retail customers is recognized at the time the electricity or gas is supplied and includes, in addition to amounts invoiced on the basis of periodic meter readings (pertaining to the year), an estimate of the value of electricity and gas sold during the period but not yet invoiced, which is equal to the difference between the amount of electricity and gas delivered to the distribution network and that invoiced in the period, taking account of any network losses. Revenue between the date of the last meter reading and the end of the year is based on estimates of the daily consumption of individual customers calculated on the basis of their consumption record, adjusted to take account of weather conditions and other factors that may affect estimated consumption.

Pension plans and other post-employment benefits

Some of the Group'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, the inflation rate 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 is reviewed periodically and wherever circumstances or events suggest that a review is necessary. Goodwill is reviewed at least annually. Such assessments of the recoverable amount of assets are carried out in accordance with the provisions of IAS 36, as described in greater detail in note 20 below.

In particular, the recoverable amount of non-current assets and goodwill is based on estimates and assumptions used in order to determine the amount of cash flow and the discount rates applied. Where the value of non-current assets is considered to be impaired, it is written down to the recoverable value, as estimated on the basis of the use of the assets and their possible future disposal, in accordance with the Company's most recent approved plan.

The factors used in the calculation of the recoverable amount are discussed in more detail in the section "Impairment of non-financial assets". Nevertheless, possible changes in the estimation of the 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.

Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012

Law 134 of August 7, 2012 containing "urgent measures for growth" (published in the Gazzetta Ufficiale of August 11, 2012) introduced a sweeping overhaul of the rules governing hydroelectric concessions. Among its various provisions, the law establishes that five years before the expiration of a major hydroelectric water diversion concession and in cases of lapse, relinquishment or revocation, where there is no prevailing public interest for a different use of the water, incompatible with its use for hydroelectric generation, the competent public entity shall organize a public call for tender for the

award for consideration of the concession for a period ranging from 20 to a maximum of 30 years.

In order to ensure operational continuity, the law also governs the methods of transfer ownership of the business unit necessary to operate the concession, including all legal relationships relating to the concession, from the outgoing concession holder to the new concession holder, in exchange for payment of a price to be determined in negotiations between the departing concession holder and the grantor agency, taking due account of the following elements:

- > for intake and governing works, penstocks and outflow channels, which under the consolidated law governing waters and electrical plants are to be relinquished free of charge (Article 25 of Royal Decree 1775 of December 11, 1933), the revalued cost less government capital grants, also revalued, received by the concession holder for the construction of such works, depreciated for ordinary wear and tear;
- > for other property, plant and equipment, the market value, meaning replacement value, reduced by estimated depreciation for ordinary wear and tear.

While acknowledging that the new regulations introduce important changes as to the transfer of ownership of the business unit with regard to the operation of the hydroelectric concession, the practical application of these principles faces difficulties, given the uncertainties that do not permit the formulation of a reliable estimate of the value that can be recovered at the end of existing concessions (residual value).

Accordingly, management has decided to not attempt to formulate an estimate of residual value.

The fact that the legislation requires the new concession holder to make a payment to the departing concession holder prompted management to review the depreciation schedules for assets classified as to be relinquished free of charge prior to Law 134/2012 (until the year ended on December 31, 2011, given that the assets were to be relinquished free of charge, the depreciation period was equal to the closest date between the term of the concession and the end of the useful life of the individual asset), calculating depreciation no longer over the term of the concession but, if longer, over the economic and technical life of the individual assets. If additional information becomes available to enable the calculation of residual value, the carrying amounts of the assets involved will be adjusted prospectively.

Determining the fair value of financial instruments

The fair value of financial instruments is determined on the basis of prices directly observable in the market, where available, or, for unlisted financial instruments, using specific

valuation techniques (mainly based on present value) that maximize the use of observable market inputs. In rare circumstances where this is not possible, the inputs are estimated by management taking due account of the characteristics of the instruments being measured.

In accordance with IFRS 13, the Group includes a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk, using the method discussed in note 45. Changes in the assumptions made in estimating the input data could have an impact on the fair value recognized for those instruments.

Recovery of deferred tax assets

At December 31, 2016, the consolidated 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.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies and the tax rates applicable at the date of reversal. However, where the Group should become aware that it is unable to recover all or part of recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

Litigation

The Enel Group is involved in various legal disputes regarding the generation, transport and distribution of electricity. In view of the nature of such litigation, it is not always objectively possible to predict the outcome of such disputes, which in some cases could be unfavorable.

Provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made.

Obligations associated with generation plants, including decommissioning and site restoration

Generation activities may entail obligations for the operator with regard to future interventions that will have to be per-

formed following the end of the operating life of the plant.

Such interventions may involve the decommissioning of plants and site restoration, or other obligations linked to the type of generation technology involved. The nature of such obligations may also have a major impact on the accounting treatment used for them.

In the case of nuclear power plants, where the costs regard both decommissioning and the storage of waste fuel and other radioactive materials, the estimation of the future cost is a critical process, given that the costs will be incurred over a very long span of time, estimated at up to 100 years.

The obligation, based on financial and engineering assumptions, is calculated by discounting the expected future cash flows that the Group considers it will have to pay to meet the obligations it has assumed.

The discount rate used to determine the present value of the liability is the pre-tax risk-free rate and is based on the economic parameters of the country in which the plant is located.

That liability is quantified by management on the basis of the technology existing at the measurement date and is reviewed each year, taking account of developments in storage, decommissioning and site restoration technology, as well as the ongoing evolution of the legislative framework governing health and environmental protection.

Subsequently, the value of the obligation is adjusted to reflect the passage of time and any changes in estimates.

Other

In addition to the items listed above, the use of estimates regarded the fair value measurement of assets acquired and liabilities assumed in business combinations. For these items, the estimates and assumptions are contained in the discussion of the accounting policies adopted.

Management judgments

Identification of cash generating units (CGUs)

In application of "IAS 36 - Impairment of assets", the goodwill recognized in the consolidated financial statements of the Group as a result of business combinations has been allocated to individual or groups of CGUs that will benefit from the combination. A CGU is the smallest group of assets that generates largely independent cash inflows.

In identifying such CGUs, management took account of the specific nature of its assets and the business in which it is involved (geographical area, business area, regulatory framework, etc.), verifying that the cash flows of a given group of assets were closely independent and largely autonomous

of those associated with other assets (or groups of assets). The assets of each CGU were also identified on the basis of the manner in which management manages and monitors those assets within the business model adopted. For a more extensive discussion, please see notes 4 and 5 below and the discussion in the section on “Results by business area” in the report on operations.

The CGUs identified by management to which the goodwill recognized in these consolidated financial statements has been allocated are indicated in the section on intangible assets, to which the reader is invited to refer.

The number and scope of the CGUs are updated systematically to reflect the impact of new business combinations and reorganizations carried out by the Group, and to take account of external factors that could impact the ability of groups of assets to generate independent cash flows.

Determination of the existence of control

Under the provisions of IFRS 10, control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is defined as the current ability to direct the relevant activities of the investee based on existing substantive rights.

The existence of control does not depend solely on ownership of a majority shareholding, but rather it arises from substantive rights that each investor holds over the investee. Consequently, management must use its judgment in assessing whether specific situations determine substantive rights that give the Group the power to direct the relevant activities of the investee in order to affect its returns.

For the purpose of assessing control, management analyses all facts and circumstances including any agreements with other investors, rights arising from other contractual arrangements and potential voting rights (call options, warrants, put options granted to non-controlling shareholders, etc.). These other facts and circumstances could be especially significant in such assessment when the Group holds less than a majority of voting rights, or similar rights, in the investee.

Following such analysis of the existence of control, which had already been done in previous years under the provisions of the then-applicable IAS 27, the Group consolidated certain companies (Emgesa and Codensa) on a line-by-line basis even though it did not hold more than half of the voting rights. That approach was maintained in the assessment carried out in application of IFRS 10 on the basis of the requirements discussed above, as detailed in the attachment “Subsidiaries, associates and other significant equity invest-

ments of the Enel Group at December 31, 2016” to these financial statements.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of control.

Finally, the assessment of the existence of control did not find any situations of de facto control.

Determination of the existence of joint control and of the type of joint arrangement

Under the provisions of IFRS 11, a joint arrangement is an agreement where two or more parties have joint control.

Joint control exists when the decisions over the relevant activities require the unanimous consent of at least two parties of a joint arrangement.

A joint arrangement can be configured as a joint venture or a joint operation. Joint ventures are joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangement. Conversely, joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

In order to determine the existence of the joint control and the type of joint arrangement, management must apply judgment and assess its rights and obligations arising from the arrangement. For this purpose, the management considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Following that analysis, the Group has considered its interest in Asociación Nuclear Ascó-Vandellós II as a joint operation.

The Group re-assesses whether or not it has joint control if facts and circumstances indicate that changes have occurred in one or more of the elements considered in verifying the existence of joint control and the type of the joint arrangement.

Determination of the existence of significant influence over an associate

Associated companies are those in which the Group exercises significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee but not exercise control or joint control over those policies. In general, it is presumed that the Group has a significant influence when it has an ownership interest of 20% or more.

In order to determine the existence of significant influence,

management must apply judgment and consider all facts and circumstances.

The Group re-assesses whether or not it has significant influence if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of significant influence.

Application of "IFRIC 12 - Service concession arrangements" to concessions

"IFRIC 12 - Service concession arrangements" applies to "public-to-private" service concession arrangements, which can be defined as contracts under which the grantor transfers to a concession holder the right to deliver public services that give access to the main public facilities for a specified period of time in return for managing the infrastructure used to deliver those public services.

More specifically, IFRIC 12 applies to public-to-private service concession arrangements if the grantor:

- > controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- > controls – through ownership or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

In assessing the applicability of these provisions for the Group, management carefully analyzed existing concessions. On the basis of that analysis, the provisions of IFRIC 12 are applicable to some of the infrastructure of a number of companies in the Latin America Region that operate in Brazil (essentially Ampla and Coelce).

Related parties

Related parties are mainly parties that have the same controlling entity as 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 entities that operate post-employment benefit plans for employees of Enel SpA or its associates (specifically, the FOPEN and FONDENEL pension funds), as well as the members of the boards of auditors, and their immediate family, and the key management personnel, and their immediate family, of Enel SpA and its subsidiaries. Key management personnel comprises management personnel who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include directors.

Subsidiaries

The Group controls an entity when it is exposed/has rights to variable returns deriving from its involvement and has the ability, through the exercise of its power over the investee, to affect its returns. Power is defined as when the investor has existing rights that give it the current ability to direct the relevant activities.

The figures of the subsidiaries are consolidated on a full line-by-line basis as from the date control is acquired until such control ceases.

Consolidation procedures

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2016 in accordance with the accounting policies adopted by the Parent Company.

If a subsidiary uses different accounting policies from those adopted in preparing the consolidated financial statements for similar transactions and facts in similar circumstances, appropriate adjustments are made to ensure conformity with Group accounting policies.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in or excluded from the consolidated financial statements, respectively, from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and the other components of other comprehensive income are attributed to the owners of the Parent and non-controlling interests, even if this results in a loss for non-controlling interests.

All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full.

Changes in ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their interests in the subsidiary. Any difference between the fair value of the consideration paid or received and the corresponding fraction of equity acquired or sold is recognized in consolidated equity. When the Group ceases to have control over a subsidiary, any interest retained in the entity is remeasured to its fair value, recognized through profit or loss, at the date when control is lost. In addition, any amounts previously recognized in other comprehensive income in respect of the former subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities.

Investments in joint arrangements and associates

A joint venture is an entity over which the Group exercises joint control and has rights to the net assets of the arrangement. Joint control is the sharing of control of an arrangement, whereby decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over the investee.

The Group's investments in its joint ventures and associates are accounted for using the equity method.

Under the equity method, these investments are initially recognized at cost and any goodwill arising from the difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities at the acquisition date is included in the carrying amount of the investment. Goodwill is not individually tested for impairment.

After the acquisition date, their carrying amount is adjusted to recognize changes in the Group's share of profit or loss of the associate or joint venture. The OCI of such investees is presented as specific items of the Group's OCI.

Distributions received from joint venture and associates reduce the carrying amount of the investments.

Profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate or joint venture. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount.

In the case of the Slovak Power Holding joint venture, any impairment losses are assessed by determining the recoverable value using the price formula specified in the agreement to sell the 66% stake in Slovenské elektrarne by Enel Produzione to EP Slovakia, which is based on various parameters, including the evolution of the net financial position of SE, developments in energy prices in the Slovakian

market, the operating efficiency of SE as measured on the basis of benchmarks defined in the contract and the enterprise value of Mochovce units 3 and 4.

If the investment ceases to be an associate or a joint venture, the Group recognizes any retained investment at its fair value, through profit or loss. Any amounts previously recognized in other comprehensive income in respect of the former associate or joint venture are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to exercise a significant influence or joint control, the Group continues to apply the equity method and the share of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction is accounted for as if the Group had directly disposed of the related assets or liabilities.

When a portion of an investment in an associate or joint venture meets the criteria to be classified as held for sale, any retained portion of an investment in the associate or joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion classified as held for sale takes place.

Joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. For each joint operation, the Group recognized assets, liabilities, costs and revenue on the basis of the provisions of the arrangement rather than the participating interest held.

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. Non-monetary assets and liabilities in foreign currency stated at 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 stated at fair value are translated using the exchange rate prevailing on the date that value was determined. Any exchange rate differences are recognized through profit or loss.

Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.

In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the presentation currency used in the consolidated financial statements are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.

Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized proportionately in the income statement on the disposal (partial or total) of the subsidiary.

Business combinations

Business combinations initiated before January 1, 2010 and completed within that financial year are recognized on the basis of IFRS 3 (2004).

Such business combinations were recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities incurred or assumed, plus costs directly attributable to the acquisition. This cost was allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the cost of the acquisition and the fair value of the net assets acquired pertaining to shareholders of the Parent Company was recognized as goodwill. Any negative difference was recognized in profit or loss. The value of non-controlling interests was determined in proportion to the interest held by minority shareholders in the net assets. In the case of business combinations achieved in stages, at the date of acquisition any adjustment to the fair value of the net assets acquired previously was recognized in equity; the amount of goodwill was determined for each transaction separately based on the fair values of the acquiree's net assets at the date of each exchange transaction.

Business combinations carried out as from January 1, 2010

are recognized on the basis of IFRS 3 (2008), which is referred to as IFRS 3 (Revised) hereafter.

More specifically, business combinations are recognized using the acquisition method, where the purchase cost (the consideration transferred) is equal to the fair value at the purchase date of the assets acquired and the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Costs directly attributable to the acquisition are recognized through profit or loss.

This cost is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values as at the acquisition date. Any positive difference between the price paid, measured at fair value as at the acquisition date, plus the value of any non-controlling interests, and the net value of the identifiable assets and liabilities of the acquiree measured at fair value is recognized as goodwill. Any negative difference is recognized in profit or loss.

The value of non-controlling interests is determined either in proportion to the interest held by minority shareholders in the net identifiable assets of the acquiree or at their fair value as at the acquisition date.

In the case of business combinations achieved in stages, at the date of acquisition of control the previously held equity interest in the acquiree is remeasured to fair value and any positive or negative difference is recognized in profit or loss. Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified as an asset or a liability that is a financial instrument within the scope of IAS 39 is recognized in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS-EU. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition, restating comparative figures.

Fair value measurement

For all fair value measurements and disclosures of fair value,

that are either required or permitted by international accounting standards, the Group applies IFRS 13.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The fair value measurement assumes that the transaction to sell an asset or transfer a liability takes place in the principal market, i.e. the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place in the most advantageous market to which the Group has access, i.e. the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Market participants are independent, knowledgeable sellers and buyers who are able to enter into a transaction for the asset or the liability and who are motivated but not forced or otherwise compelled to do so.

When measuring fair value, the Group takes into account the characteristics of the asset or liability, in particular:

- > for a non-financial asset, a fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use;
- > for liabilities and own equity instruments, the fair value reflects the effect of non-performance risk, i.e. the risk that an entity will not fulfill an obligation;
- > in the case of groups of financial assets and financial liabilities with offsetting positions in market risk or credit risk, managed on the basis of an entity's net exposure to such risks, it is permitted to measure fair value on a net basis.

In measuring the fair value of assets and liabilities, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenses directly attributable to

bringing the asset to the location and condition necessary for its intended use.

The cost is also increased by the present value of the estimate of the costs of decommissioning and restoring the site on which the asset is located where there is a legal or constructive obligation to do so. The corresponding liability is recognized under provisions for risks and charges. The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges."

Property, plant and equipment transferred from customers to connect them to the electricity distribution network and/or to provide them with ongoing access to a supply of electricity is initially recognized at its fair value at the time of the transfer.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the assets themselves. Borrowing costs associated with the purchase/construction of assets that do not meet such requirement are expensed in the period in which they are incurred.

Certain assets that were revalued at the IFRS-EU transition date or in previous periods are recognized at their fair value, which is considered to be their deemed cost at the revaluation date.

Where individual items of major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.

Subsequent costs are recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits associated with the cost incurred to replace a part of the asset will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as incurred.

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

Property, plant and equipment, net of its residual value, is depreciated on a straight-line basis over its estimated useful life, which is reviewed annually and, if appropriate, adjusted prospectively. Depreciation begins when the asset is available for use.

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

Civil buildings	20-70 years
Buildings and civil works incorporated in plants	20-85 years
Hydroelectric power plants:	
- penstock	20-75 years
- mechanical and electrical machinery	24-40 years
- other fixed hydraulic works	25-100 years
Thermal power plants:	
- boilers and auxiliary components	19-46 years
- gas turbine components	10-40 years
- mechanical and electrical machinery	10-45 years
- other fixed hydraulic works	10-66 years
Nuclear power plants	60 years
Geothermal power plants:	
- cooling towers	10-20 years
- turbines and generators	20-30 years
- turbine parts in contact with fluid	10-25 years
- mechanical and electrical machinery	20-22 years
Wind power plants:	
- towers	20-25 years
- turbines and generators	20-25 years
- mechanical and electrical machinery	15-25 years
Solar power plants:	
- mechanical and electrical machinery	15-40 years
Public and artistic lighting:	
- public lighting installations	18-25 years
- artistic lighting installations	20-25 years
Transmission lines	20-50 years
Transformer stations	10-60 years
Distribution plant:	
- high-voltage lines	30-50 years
- primary transformer stations	10-60 years
- low- and medium-voltage lines	23-50 years
Meters:	
- electromechanical meters	2-27 years
- electricity balance measurement equipment	2-35 years
- electronic meters	10-20 years

The useful life of leasehold improvements is determined on the basis of the term of the lease or, if shorter, on the duration of the benefits produced by the improvements themselves.

Land is not depreciated as it has an undetermined useful life. Assets recognized under property, plant and equipment are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net carrying amount of the derecognized assets.

Assets to be relinquished free of charge

The Group's plants include assets to be relinquished free of charge at the end of the concessions. These mainly regard major water diversion works and the public lands used for the operation of the thermal power plants. For Italy, the concessions terminate between 2020 and 2040.

Within the Italian regulatory framework in force until 2011, if the concessions are not renewed, at those dates all intake and governing works, penstocks, outflow channels and other assets on public lands were to be relinquished free of charge to the State in good operating condition. Accordingly, depreciation on assets to be relinquished was calculated over the shorter of the term of the concession and the remaining useful life of the assets.

In the wake of the legislative changes introduced with Law 134 of August 7, 2012, the assets previously classified as assets "to be relinquished free of charge" connected with the hydroelectric water diversion concessions are now considered in the same manner as other categories of "property, plant and equipment" and are therefore depreciated over the economic and technical life of the asset (where this exceeds the term of the concession), as discussed in the section above on the "Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012," which you are invited to consult for more details.

In accordance with Spanish laws 29/1985 and 46/1999, hydroelectric power stations in Spanish territory operate under administrative concessions at the end of which the plants will be returned to the Government in good operating condition. The terms of the concessions extend up to 2067.

A number of generation companies that operate in Argentina, Brazil and Mexico hold administrative concessions with similar conditions to those applied under the Spanish concession system. These concessions will expire in the period between 2017 and 2088.

Infrastructure used in the service concession arrangement

As regards the distribution of electricity, the Group is a concession holder in Italy for this service. The concession, granted by the Ministry for Economic Development, was issued free of charge and terminates on December 31, 2030. If the concession is not renewed upon expiry, the grantor is required to pay an indemnity. The amount of the indemnity will be determined by agreement of the parties using appropriate valuation methods, based on both the balance-sheet value of the assets themselves and their profitability.

In determining the indemnity, such profitability will be represented by the present value of future cash flows. The infrastructure serving the concessions is owned and available to the concession holder. It is recognized under "Property, plant and equipment" and is depreciated over the useful lives of the assets.

Enel also operates under administrative concessions for the distribution of electricity in other countries (including Spain and Romania). These concessions give the right to build and operate distribution networks for an indefinite period of time.

Infrastructure within the scope of "IFRIC 12 - Service concession arrangements"

Under a "public-to-private" service concession arrangement within the scope of "IFRIC 12 - Service concession arrangements" the operator acts as a service provider and, in accordance with the terms specified in the contract, it constructs/upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for the period of the concession.

The Group, as operator, does not recognize the infrastructure within the scope of IFRIC 12 as property, plant and equipment and it accounts for revenue and costs relating to construction/upgrade services as discussed in the section "Construction contracts". In particular, the Group measures the consideration received or receivable for the construction/upgrading of infrastructure at its fair value and, depending on the characteristics of the service concession arrangement, it recognizes:

- > a financial asset, if the operator has an unconditional contractual right to receive cash or another financial asset from the grantor (or from a third party at the direction of the grantor) and the grantor has little discretion to avoid payment. In this case, the grantor contractually guarantees to pay to the operator specified or determinable amounts or the shortfall between the amounts received from the users of the public service and specified or determinable amounts (defined by the contract), and such payments are not dependent on the usage of the infrastructure; and/or
- > an intangible asset, if the operator receives the right (a license) to charge users of the public service provided. In such a case, the operator does not have an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

If the Group (as operator) has a contractual right to receive

an intangible asset (the right to charge users of the public service), borrowing costs are capitalized using the criteria specified in the section "Property, plant and equipment". During the operating phase of concession arrangements, the Group accounts for operating service payments in accordance with criteria specified in the section "Revenue".

Leases

The Group holds property, plant and equipment and intangible assets for its various activities under lease contracts.

These contracts are analyzed on the basis of the circumstances and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease that transfers substantially all the risks and rewards incidental to ownership of the related asset to the lessee. All leases that do not meet the definition of a finance lease are classified as operating leases. On initial recognition assets held under finance leases are recognized as property, plant and equipment and the related liability is recognized under long-term borrowings. At inception date finance leases are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments due, including the payment required to exercise any purchase option.

The assets are depreciated on the basis of their useful lives. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets.

Payment made under operating lease are recognized as a cost on a straight-line basis over the lease term.

Although not formally designated as lease agreements, certain types of contract can be considered as such if the fulfillment of the arrangement is dependent on the use of a specific asset (or assets) and if the arrangement conveys a right to use such assets.

Investment property

Investment property consists of the Group's real estate held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods and services.

Investment property is measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.

Investment property, excluding land, is depreciated on a straight-line basis over the useful lives of the assets.

Impairment losses are determined on the basis of criteria discussed below.

The breakdown of the fair value of investment property is detailed in note 45 "Assets measured at fair value". Investment property is derecognized either at the time of its disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets.

Intangible assets

Intangible assets are identifiable assets without physical substance controlled by the entity and capable of generating future economic benefits. They 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 expenses necessary to make the assets ready for their intended use.

Internal development costs are recognized as an intangible asset when both the Group is reasonably assured of the technical feasibility of completing the intangible asset and that the asset will generate future economic benefits and it has intention and ability to complete the asset and use or sell it.

Research costs are recognized as expenses.

Intangible assets with a finite useful life are reported net of accumulated amortization and any impairment losses.

Amortization is calculated on a straight-line basis over the item's estimated useful life, which is reassessed at least annually; any changes in amortization policies are reflected on a prospective basis. Amortization commences when the asset is ready for use. Consequently, intangible assets not yet available for use are not amortized, but are tested for impairment at least annually.

The Group's intangible assets have a definite useful life, with the exception of a number of concessions and goodwill.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is accounted for as a change in accounting estimate.

Intangible assets are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized

through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets. The estimated useful life of the main intangible assets, distinguishing between internally generated and acquired assets, is as follows:

Development costs:	
- internally generated	3-5 years
- acquired	3-5 years
Industrial patents and intellectual property rights:	
- internally generated	5 years
- acquired	3-25 years
Concessions, licenses, trademarks and similar rights:	
- internally generated	-
- acquired	2-60 years
Other:	
- internally generated	2-5 years
- acquired	3-40 years

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, as measured at fair value at the acquisition date, and the value of any non-controlling interests over the net fair value of the acquiree's identifiable assets and liabilities. After initial recognition, goodwill is not amortized, but is tested for recoverability at least annually using the criteria discussed in the section "Impairment of non-financial assets". For the purpose of impairment testing, goodwill is allocated, from the acquisition date, to each of the identified cash generating units.

Goodwill relating to equity investments in associates and joint ventures is included in their carrying amount.

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount of any involved asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In order to determine the recoverable amount of property, plant and equipment, investment property, intangible as-

sets and goodwill, the Group generally adopts the value-in-use criterion.

The value in use is represented by the present value of the estimated future cash flows generated by the asset in question. 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.

The future cash flows used to determine value in use are based on the most recent business plan, approved by the management, containing forecasts for volumes, revenue, operating costs and investments.

These projections cover the next five years. Consequently, cash flows related to subsequent periods are determined on the basis of a long-term growth rate that does not exceed the average long-term growth rate for the particular sector and country.

The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.

If the carrying amount of an asset or of a cash-generating unit to which it is allocated is higher than its recoverable amount, an impairment loss is recognized in profit or loss under "Depreciation, amortization and impairment losses". Impairment losses of cash generating units are firstly charged against the carrying amount of any goodwill attributed to it and then against the other assets, in proportion to their carrying amount.

If the reasons for a previously recognized impairment loss no longer obtain, the carrying amount of the asset is restored through profit or loss, under "Depreciation, amortization and impairment losses", in an amount that shall not exceed the net carrying amount that the asset would have had if the impairment loss had not been recognized and depreciation or amortization had been performed. The original value of goodwill is not restored even if in subsequent years the reasons for the impairment no longer obtain.

The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets not yet available for use is tested for recoverability annually or more frequently if there is evidence suggesting that the assets may be impaired.

If certain specific identified assets owned by the Group are impacted by adverse economic or operating conditions that undermine their capacity to contribute to the generation of cash flows, they can be isolated from the rest of the assets of the CGU, undergo separate analysis of their recoverability and are impaired where necessary.

Inventories

Inventories are measured at the lower of cost and net realizable value except for inventories involved in trading activities, which are measured at fair value with recognition through profit or loss. Cost is determined on the basis of average weighted cost, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated costs to sell or, where applicable, replacement cost.

For the portion of inventories held to discharge sales that have already been made, the net realizable value is determined on the basis of the amount established in the contract of sale.

Inventories include environmental certificates (green certificates, energy efficiency certificates and CO₂ emissions allowances) that were not utilized for compliance in the reporting period. As regards CO₂ emissions allowances, inventories are allocated between the trading portfolio and the compliance portfolio, i.e. those used for compliance with greenhouse gas emissions requirements. Within the latter, CO₂ emissions allowances are allocated to sub-portfolios on the basis of the compliance year to which they have been assigned.

Inventories also include nuclear fuel stocks, use of which is determined on the basis of the electricity generated.

Materials and other consumables (including energy commodities) held for use in production are not written down if it is expected that the final product in which they will be incorporated will be sold at a price sufficient to enable recovery of the cost incurred.

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and contract costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Under this criteria, revenue, expenses and profit are attributed in proportion to the work completed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is recognized as an expense immediately, regardless of the stage of completion of the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. The stage of completion of the contract in progress is deter-

mined, using the cost-to-cost method, as a ratio between costs incurred for work performed to the reporting date and the estimated total contract costs. In addition to initial amount of revenue agreed in the contract, contract revenue includes any payments in respect of variations, claims and incentives, to the extent that it is probable that they will result in revenue and can be reliably measured.

The amount due from customers for contract work is presented as an asset; the amount due to customers for contract work is presented as a liability.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized and measured in accordance with IAS 32 and IAS 39. A financial asset or liability is recognized in the consolidated financial statements when, and only when, the Group becomes party to the contractual provisions of the instrument (the trade date).

Financial instruments are classified as follows under IAS 39:

- > financial assets and liabilities at fair value through profit or loss;
- > held-to-maturity financial assets;
- > loans and receivables;
- > available-for-sale financial assets,
- > financial liabilities at amortized cost.

Financial assets and liabilities at fair value through profit or loss

This category includes: securities, equity investments in entities other than subsidiaries, associates and joint ventures and investment funds held for trading or designated as at fair value through profit or loss at the time of initial recognition.

Financial instruments at fair value through profit or loss are financial assets and liabilities:

- > classified as held for trading because acquired or incurred principally for the purpose of selling or repurchasing at short term;
- > designated as such upon initial recognition, under the option allowed by IAS 39 (the fair value option).

Such financial assets and liabilities are initially recognized at fair value with subsequent gains and losses from changes in their fair value recognized through profit or loss.

Held-to-maturity financial assets

This category comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, quoted on an active market and not representing equity investments, for which the Group has the positive intention and ability to hold until maturity. They are initially recognized at fair value, including any transaction costs, and subsequently measured at amortized cost using the effective interest method.

Loans and receivables

This category mainly includes trade receivables and other financial receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted on an active market, other than those the Group intends to sell immediately or in the short term (which are classified as held for trading) and those that the Group, on initial recognition, designates as either at fair value through profit or loss or available for sale. Such assets are initially recognized at fair value, adjusted for any transaction costs, and are subsequently measured at amortized cost using the effective interest method, without discounting unless material.

Available-for-sale financial assets

This category mainly includes listed debt securities not classified as held to maturity and equity investments in other entities (unless classified as "designated as at fair value through profit or loss"). Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

These financial instruments are measured at fair value with changes in fair value recognized in other comprehensive income.

At the time of sale, or when a financial asset available for sale becomes an investment in a subsidiary as a result of successive purchases, the cumulative gains and losses previously recognized in equity are reversed to the income statement.

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 reporting date, all financial assets classified as loans and receivables (including trade receivables), held to maturity,

riety or available for sale, are assessed in order to determine if there is objective evidence that an asset or a group of financial assets is impaired.

An impairment loss is recognized if and only if such evidence exists as a result of one or more events that occurred after initial recognition and that have an impact on the future cash flows of the asset and which can be estimated reliably. Objective evidence of an impairment loss includes observable data about, for example:

- > significant financial difficulty of the issuer or obligor;
- > a breach of contract, such as a default or delinquency in interest or principal payments;
- > evidence that the borrower will enter bankruptcy or other form of financial reorganization;
- > a measurable decrease in estimated future cash flows.

Losses that are expected to arise as a result of future events are not recognized.

For financial assets classified as loans and receivables or held to maturity, once an impairment loss has been identified, its amount is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate. This amount is recognized in profit or loss. The carrying amount of trade receivable is reduced through use of an allowance account.

If the amount of a past impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment is reversed through profit or loss.

Further factors are considered in case of impairment of available-for-sale equity investments, such as significant adverse changes in the technological, market, economic or legal environment.

A significant or prolonged decline in fair value constitutes objective evidence of impairment and, therefore, the fair value loss previously recognized in other comprehensive income is reclassified from equity to income.

The amount of the cumulative loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss. An impairment loss on an available-for-sale equity investment cannot be reversed.

If there is objective evidence of impairment for unquoted equity instruments measured at cost because fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current rate of interest for a similar

financial asset. Reversal of impairment are not permitted in these cases either.

The amount of the impairment loss on a debt instrument classified as available for sale, to be reclassified from equity, is the cumulative fair value loss recognized in other comprehensive income. Such impairment loss is reversed through profit or loss if the fair value of the debt instrument objectively increases as a result of an event that occurred after the impairment loss was recognized.

Cash and cash equivalents

This category includes deposits that are available on demand or at very short term, as well as highly liquid short-term financial investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

In addition, for the purpose of the consolidated statement of cash flows, cash and cash equivalents do not include bank overdrafts at period-end.

Financial liabilities at amortized cost

This category mainly includes borrowings, trade payables, finance lease obligations and debt instruments.

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

Derivative financial instruments

A derivative is a financial instrument or another contract:

- > whose value changes in response to the changes in an underlying variable such as an interest rate, commodity or security price, foreign exchange rate, a price or rate index, a credit rating or other variable;
- > that requires no initial net investment, or an initial net investment that is smaller than would be required for a contract with a similar response to changes in market factors;
- > that is settled at a future date.

Derivative instruments are classified as financial assets or liabilities depending on whether their fair value is positive or negative and they are classified as “held for trading” and measured at fair value through profit or loss, except for those designated as effective hedging instruments.

For more details about hedge accounting, please see note 44 “Derivatives and hedge accounting”.

All derivatives held for trading are classified as current assets or liabilities.

Derivatives not held for trading purposes but measured at fair value through profit or loss since they do not qualify for hedge accounting and derivatives designated as effective hedging instruments are classified as current or non-current on the basis of their maturity date and the Group's intention to hold the financial instrument until maturity or not.

Embedded derivatives

An embedded derivative is a derivative included in a "combined" contract (the so-called "hybrid instrument") that contains another non-derivative contract (the so-called host contract) and gives rise to some or all of the combined contract's cash flows.

The main Group contracts that may contain embedded derivatives are contracts to buy or sell non-financial items with clauses or options that affect the contract price, volume or maturity.

Such contracts, which do not represent financial instruments to be measured at fair value, are analyzed in order to identify any embedded derivative, which are to be separated and measured at fair value. This analysis is performed when the Group becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows. Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- > host contract is not a financial instrument measured at fair value through profit or loss;
- > the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- > a separate contract with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are separated from the host contract are recognized in the consolidated financial statements at fair value with changes recognized through profit or loss (except when the embedded derivative is part of a designated hedging relationship).

Contracts to buy or sell non-financial items

In general, contracts to buy or sell non-financial items that are entered into and continue to be held for receipt or delivery, in accordance with the Group's normal expected purchase, sale or usage requirements, do not fall within the scope of IAS 39 and are then recognized in accordance with the accounting treatment of such transactions (the "own use exemption").

Such contracts are recognized as derivatives and, as a consequence, at fair value through profit or loss only if:

- > they can be settled net in cash; and
- > they are not entered into in accordance with the Group's expected purchase, sale or usage requirements.

A contract to buy or sell non-financial items is classified as a "normal purchase or sale" if it is entered into:

- > for the purpose of physical delivery;
- > in accordance with the Group's expected purchase, sale or usage requirements.

The Group analyses all contracts to buy or sell non-financial assets, with a specific focus on forward purchases and sales of electricity and energy commodities, in order to determine if they should be classified and treated in accordance with IAS 39 or if they have been entered into for "own use".

Derecognition of financial assets and liabilities

Financial assets are derecognized whenever one of the following conditions is met:

- > the contractual right to receive the cash flows associated with the asset expires;
- > the Group has transferred substantially all the risks and rewards associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to pay such cash flows to one or more beneficiaries under a contract that meets the requirements established by IAS 39 (the "pass through test");
- > the Group has not transferred or retained substantially all the risks and rewards associated with the asset but has transferred control over the asset.

Financial liabilities are derecognized when they are extinguished, i.e. when the contractual obligation has been discharged, cancelled or expired.

Offsetting financial assets and liabilities

The Group offsets financial assets and liabilities when:

- > there is a legally enforceable right to set off the recognized amounts; and
- > it has the intention of either settling on a net basis, or realizing the asset and settling the liability simultaneously.

Employee benefits

Liabilities related to employee benefits paid upon or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period 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 projected unit credit method). More specifically, the present value of the defined benefit obligation is calculated by using a discount rate determined on the basis of market yields at the end of the reporting period on high-quality corporate bonds. If there is no deep market for high-quality corporate bonds in the currency in which the bond is denominated, the corresponding yield of government securities is used.

The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

If the value of plan assets exceeds the present value of the related defined benefit obligation, the surplus (up to the limit of any cap) is recognized as an asset.

As regards the liabilities (assets) of defined benefit plans, the cumulative actuarial gains and losses from the actuarial measurement of the liabilities, the return on the plan assets (net of the associated interest income) and the effect of the asset ceiling (net of the associated interest income) are recognized in other comprehensive income when they occur. For other long-term benefits, the related actuarial gains and losses are recognized through profit or loss.

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.

Employees are also enrolled in defined contribution plans under which the Group pays fixed contributions to a separate entity (a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Such plans are usually aimed to supplement pension benefits due to employees post-employment. The related costs are recognized in income statement on the basis of the amount of contributions paid in the period.

Termination benefits

Liabilities for benefits due to employees for the early termination of the employment relationship, both as a result of a decision by the Group or an employee's decision to accept voluntary redundancy in exchange for these benefits, are recognized at the earlier of the following dates:

- > when the Group can no longer withdraw its offer of benefits; and
- > when the Group recognizes a cost for a restructuring that

is within the scope of IAS 37 and involves the payment of termination benefits.

The liabilities are measured on the basis of the nature of the employee benefits. More specifically, when the benefits represent an enhancement of other post-employment benefits, the associated liability is measured in accordance with the rules governing that type of benefit. Otherwise, if the termination benefits due to employees are expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for short-term employee benefits; if they are not expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for other long-term employee benefits.

Provisions for risks and charges

Provisions are recognized where there is a legal or constructive obligation as a result of a past event at the end of the reporting period, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the impact is material, 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 provision is discounted, the periodic adjustment of the present value for the time factor is recognized as a financial expense.

When the Group expects some or all of the expenditure required to extinguish a liability will be reimbursed by a third party, the reimbursement is recognized as a separate asset if such reimbursement is virtually certain.

Where the liability relates to plant decommissioning and/or site restoration, the initial recognition of the provision is made against the related asset and the expense is then recognized in profit or loss through the depreciation of the asset involved.

Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.

In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), the Group recognizes a provision as the lower of the costs of fulfilling the obligation that exceed the economic benefits expected to be received under the contract and any compensation or penalty arising from failure to fulfil it.

Changes in estimates of accruals to the provision are recognized in the income statement in the period in which the changes occur, with the exception of those in respect of the costs of decommissioning, dismantling and/or restoration resulting from changes in the timetable and costs necessary to extinguish the obligation or from a change in the discount rate. These changes increase or decrease the value of the related assets and are taken to the income statement through depreciation. Where they increase the value of the assets, it is also determined whether the new carrying amount of the assets is fully recoverable. If this is not the case, a loss equal to the unrecoverable amount is recognized in the income statement.

Decreases in estimates are recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.

For more information on the estimation criteria adopted in determining liabilities for plant dismantling and site restoration, especially those associated with nuclear power plants or the storage of waste fuel and other radioactive materials, please see the section on the use of estimates.

Government grants

Government grants, including non-monetary grants at fair value, are recognized where there is reasonable assurance that they will be received and that the Group will comply with all conditions attaching to them as set by the Government, government agencies and similar bodies whether local, national or international.

When loans are provided by Governments at a below-market rate of interest, the benefit is regarded as a government grant. The loan is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying amount of the loan and the funds received. The loan is subsequently measured in accordance with the requirements for financial liabilities.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the costs that the grants are intended to compensate.

Where the Group receives government grants in the form of a transfer of a non-monetary asset for the use of the Group, it accounts for both the grant and the asset at the fair value of the non-monetary asset received at the date of the transfer.

Grants related to long-lived assets, including non-monetary grants at fair value, i.e. those received to purchase, build or

otherwise acquire non-current assets (for example, an item of property, plant and equipment or an intangible asset), are recognized on a deferred basis under other liabilities and are credited to profit or loss on a straight-line basis over the useful life of the asset.

Environmental certificates

Some Group companies are affected by national regulations governing green certificates and energy efficiency certificates (so-called white certificates), as well as the European "Emissions Trading System".

In Italy, which had a system of green certificates to encourage renewables generation until last year, since 2016 – in application of a Ministerial Decree of July 6, 2012 – the previous incentive mechanism was replaced by a "feed-in premium". The recognition in the accounts of these changes produced an increase in revenue, which now reports the entire amount of the sales price, including the incentive, and a corresponding decrease in other revenue and income, where amounts associated with the award of green certificates for electricity generated were reported, in accordance with the provisions of the incentive agreement for each plant.

In other countries in which a green certificate system is still in use, green certificates accrued in proportion to electricity generated by renewable energy plants and energy efficiency certificates accrued in proportion to energy savings achieved that have been certified by the competent authority are treated as non-monetary government operating grants and are recognized at fair value, under other revenue and income, with recognition of an asset under other non-financial assets, if the certificates are not yet credited to the ownership account, or under inventories, if the certificates have already been credited to that account. At the time the certificates are credited to the ownership account, they are reclassified from other assets to inventories.

Revenue from the sale of such certificates are recognized under revenue from sales and services, with a corresponding decrease in inventories.

For the purposes of accounting for charges arising from regulatory requirements concerning green certificates, energy efficiency certificates and CO₂ emissions allowances, the Group uses the "net liability approach".

Under this accounting policy, environmental certificates received free of charge and those self-produced as a result of Group's operations that will be used for compliance purposes are recognized at nominal value (nil). In addition,

charges incurred for obtaining (in the market or in some other transaction for consideration) any missing certificates to fulfil compliance requirements for the reporting period are recognized through profit or loss on an accruals basis under other operating expenses, as they represent "system charges" consequent upon compliance with a regulatory requirement.

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

This classification criteria is applicable only when non-current assets (or disposal groups) are available in their present condition for immediate sale and the sale is highly probable. If the Group is committed to a sale plan involving loss of control of a subsidiary and the requirements provided for under IFRS 5 are met, all the assets and liabilities of that subsidiary are classified as held for sale when the classification criteria are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

The Group applies these classification criteria as envisaged in IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.

Non-current assets (or disposal groups) and liabilities of disposal groups classified as held for sale are presented separately from other assets and liabilities in the balance sheet. The amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale are not reclassified or re-presented for prior periods presented.

Immediately before the initial classification of non-current assets (or disposal groups) as held for sale, the carrying amounts of such assets (or disposal groups) are measured in accordance with the IFRS-EU applicable to the specific assets or liabilities. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses for any initial or subsequent writedown of the assets

(or disposal groups) to fair value less costs to sell and gains for their reversals are included in profit or loss from continuing operations.

Non-current assets are not depreciated (or amortized) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.

If the classification criteria are no longer met, the Group ceases to classify non-current assets (or disposal group) as held for sale. In that case they are measured at the lower of:

- > the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized if the asset (or disposal group) had not been classified as held for sale; and
- > the recoverable amount, which is equal to the greater of its fair value net of costs of disposal and its value in use, as calculated at the date of the subsequent decision not to sell.

Any adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- > represents a separate major line of business or geographical area of operations;
- > is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- > is a subsidiary acquired exclusively with a view to resale.

The Group presents, in a separate line item of the income statement, a single amount comprising the total of:

- > the post-tax profit or loss of discontinued operations; and
- > the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

The corresponding amount is re-presented in the income statement for prior periods presented in the financial statements, so that the disclosures relate to all operations that are discontinued by the end of the current reporting period. If the Group ceases to classify a component as held for sale, the results of the component previously presented in discontinued operations are reclassified and included in income from continuing operations for all periods presented.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account. Therefore, in an agency relationship, the amount collected on behalf of the principal are excluded from revenue.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the Group.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

In arrangements under which the Group will perform multiple revenue-generating activities (a multiple-element arrangement), the recognition criteria are applied to the separately identifiable components of the transaction in order to reflect the substance of the transaction or to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

More specifically, the following criteria are used depending on the type of transaction:

- > revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer and their amount can be reliably determined;
- > revenue from the sale of electricity and gas is recognized when these commodities are supplied to the customer and regard the quantities provided during the period, even if these have not yet been invoiced. It is determined using estimates as well as periodic meter readings. Where applicable, this revenue is based on the rates and related restrictions established by law or the Authority for Electricity, Gas and the Water System and analogous foreign authorities during the applicable period;
- > revenue from the transport of electricity and gas is recognized when the services are rendered to distribution customers even if they have not yet been invoiced. That revenue is determined on the basis of the amounts that have actually transited along the distribution network, net of estimated losses. Where provided for in the specific local regulations, such revenue is adjusted to take account of the restrictions and mandatory rates established by the Authority for Electricity, Gas and the Water

System in Italy or the equivalent national organizations in other countries. In particular, in setting restrictions and mandatory rates, each authority covers the costs incurred for investments in the network, the associated remuneration based on an appropriate rate of return on capital and the timing with which those amounts are incorporated in rates. Where the inclusion of the investments in rates, which gives rise to the operator's right to receive the amount, in the year in which they are carried out is already virtually certain they are recognized on an accrual basis, regardless of the financial mechanism used to pay them. These arrangements reflect, for example, the provision of Authority Resolution 654/2015 concerning the definition of the criteria for the new rate period for distribution and metering in force for the regulatory cycle (2016-2023);

- > revenue from the rendering of services is recognized by reference to the stage of completion of services at the end of the reporting periods in which the services are rendered. The stage of completion of the transaction is determined based on an assessment of the service rendered as a percentage of the total services to be rendered or as costs incurred as a proportion of the estimated total costs of the transaction. When it is not possible to reliably determine the value of the revenue, it is recognized only to the extent of the expenses recognized that are recoverable;
- > revenue associated with construction contracts is recognized as specified in the section "Construction contracts";
- > revenue from monetary and in-kind fees for connection to the electricity distribution network is recognized in full upon completion of connection activities if the service supplied is identified. If more than one separately identifiable service is identified, the fair value of the total consideration received or receivable is allocated to each service and the revenue related to the service performed in the period is recognized; in particular, if any ongoing services (electricity distribution services) are identified, the related revenue is generally determined by the terms of the agreement with the customer or, when such an agreement does not specify a period, over a period no longer than the useful life of the transferred asset;
- > revenue from rentals and operating leases is recognized on an accruals basis in accordance with the substance of the relevant agreement.

Financial income and expense from derivatives

Financial income and expense from derivatives includes:

- > income and expense from derivatives measured at fair value through profit or loss on interest rate and exchange risks;
- > income and expense from fair value hedge derivatives on interest rate risk;
- > income and expense from cash flow hedge derivatives on interest rate and exchange risks.

Other financial income and expense

For all financial assets and liabilities measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income and expense is recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured.

Other financial income and expense also includes changes in the fair value of financial instruments other than derivatives.

Income taxes

Current income taxes

Current income taxes for the period, which are recognized under "income tax payable" net of payments on account, or under "tax receivables" where there is a credit balance, are determined using an estimate of taxable income and in conformity with the applicable regulations.

In particular, such payables and receivables are determined using the tax rates and tax laws that are enacted or substantively enacted as at the end of the reporting period.

Current income taxes are recognized in profit or loss with the exception of current income taxes related to items recognized outside profit or loss that are recognized in equity.

Deferred tax items

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corre-

sponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are enacted or substantively enacted as at end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, 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.

Unrecognized deferred tax assets are re-assessed at each reporting date and they are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred taxes are recognized in profit or loss, with the exception of those in respect of items recognized outside profit or loss that are recognized in equity.

Deferred tax assets and deferred tax liabilities are offset against current tax liabilities relate to income taxes levied by the same taxation authority that arise at the time of reversal if a legally enforceable right to set-off exists.

Dividends

Dividends are recognized when the unconditional right to receive payment is established.

Dividends and interim dividends payable to a Company's shareholders are recognized as changes in equity in the period in which they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

Recently issued accounting standards

New accounting standards applied in 2016

The Group adopted the following amendments to existing standards with effect as from January 1, 2016.

> “Amendments to IAS 1 - *Disclosure initiative*”, issued in December 2014. The amendments, which form part of a broader initiative to improve presentation and disclosure requirements, include changes in the following areas:

- materiality: the amendments clarify that the concept of materiality applies to all parts of the financial statements and that the inclusion of immaterial information could undermine the utility of financial disclosures;
- disaggregation and subtotals: the amendments clarify that the line items in the income statement, the statement of comprehensive income and the balance sheet may be disaggregated. They also introduce new requirements concerning the use of subtotals;
- the structure of the notes: the amendments clarify that entities have a certain degree of flexibility in the order in which the notes to the financial statements may be presented. They also emphasize that in establishing that order the entity must consider the requirements of understandability and comparability of the financial statements;
- investments accounted for using the equity method: the entity's share of OCI of investments in equity-accounted associates and joint ventures must be split between the portion recyclable and that not recyclable to profit and loss; such portions must be presented as separate line items in the statement of comprehensive income.

The application of amendments did not have an impact on these consolidated financial statements.

> “Amendments to IAS 19 - *Defined benefit plans: employees contributions*”, issued in November 2013. The amendments are intended to clarify how to recognize contributions from employees within a defined benefit plan. More specifically, contributions linked to service should be recognized as a reduction in service cost:

- over the periods in which employees render their services, if the amount of the contributions is dependent

on the number of years of service; or

- in the period in which the service is rendered, if the amount of the contributions is independent of the number of years of service.

The application of amendments did not have an impact on these consolidated financial statements.

> “Amendments to IAS 27 - *Equity method in separate financial statements*”, issued in August 2014. The amendments permit the use of the equity method for investments in subsidiaries, joint ventures and associates. The amendments also clarify a number of issues concerning investment entities. Specifically, when an entity ceases to be an investment entity, it must recognize investments in subsidiaries in accordance with IAS 27. Conversely, when an entity becomes an investment entity, it must recognize investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9.

As the amendments regard the separate financial statements only, they are not expected to have an impact on the consolidated financial statements.

> “Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment entities: applying the consolidation exception*”, issued in December 2014. The amendments clarify that if a parent entity (or intermediate parent) prepares its financial statements in conformity with IFRS 10 (including the case of an investment entity that does not consolidate its investments in subsidiaries but rather measures them at fair value), the exemption from preparing consolidated financial statements is available to the subsidiaries of an investment entity that in turn qualify as investment entities. In addition, the amendments also clarify that a parent entity that qualifies as an investment entity must consolidate a subsidiary that provides services related to the parent's investment activities if the subsidiary is not itself an investment entity. The amendments also simplify application of the equity method for an entity that is not an investment entity but holds an interest in an associate or joint venture that is an investment entity. In particular, when applying the equity method, the entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. The application of amendments did not have an impact on these consolidated financial statements.

> “Amendments to IFRS 11 - *Accounting for acquisitions of interests in joint operations*”, issued in May 2014. The amendments clarify the accounting treatment of the acquisition of an interests in a joint operation that is business, pursuant to IFRS 3, requiring the application of

all the accounting rules for business combinations under IFRS 3 and other applicable IFRS with the exception of those standards that conflict with the guidance on IFRS 11. Under the amendments, a joint operator that acquires such interests must measure the identifiable assets and liabilities at fair value; expense acquisition-related costs (with the exception of debt or equity issuance costs); recognize deferred taxes; recognize any goodwill or bargain purchase gain; perform impairment tests for the cash generating units to which goodwill has been allocated; and disclose information required for relevant business combinations.

The application of amendments did not have an impact on these consolidated financial statements.

- > “Amendments to IAS 16 and IAS 38 - *Clarification of acceptable methods of depreciation and amortization*”, issued in May 2014. The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The provisions of IAS 16 have been amended to clarify that a revenue-based depreciation method asset is not appropriate. The provisions of IAS 38 have been amended to introduce a presumption that a revenue-based amortization method is inappropriate. That presumption can be overcome when:

- the intangible asset is expressed as a measure of revenue;
- it can be demonstrated that revenue and the consumption of the economic benefit generated by an intangible asset are highly correlated.

The application of amendments did not have an impact on these consolidated financial statements.

- > “Amendments to IAS 16 and IAS 41 - *Bearer plants*”, issued in June 2014. The amendments change the accounting treatment of biological assets that meet the definition of “bearer plants”, such as fruit trees, that currently fall within the scope of “IAS 16 - Property, plant and equipment”. As a consequence, they will be subject to all of the provisions of that standard. Accordingly, for measurement subsequent to initial recognition, the entity may choose between the cost model and the revaluation model. The agricultural products produced by the bearer plants (e.g. fruit) will remain within the scope of “IAS 41 - Agriculture”.

The application of amendments did not have an impact on these consolidated financial statements.

- > “Annual improvements to IFRSs 2010-2012 cycle”, issued in December 2013; the document contains formal

modifications and clarifications of existing standards that did not have an impact on these consolidated financial statements. More specifically, the following standards were amended:

- “IFRS 2 - *Share-based payment*”; the amendment separates the definitions of “performance conditions” and “service conditions” from the definition of “vesting conditions” in order to clarify the description of each condition;
- “IFRS 3 - *Business combinations*”; the amendment clarifies how to classify any contingent consideration agreed in a business combination. Specifically, the amendment establishes that if the contingent consideration does not represent an equity instrument, it shall be classified as a financial asset or liability (within the scope of IAS 39) or as a non-financial asset or liability. In both cases, the contingent consideration shall be measured at fair value and changes in fair value shall be recognized in profit or loss;
- “IFRS 8 - *Operating segments*”; the amendments introduce new disclosure requirements in order to enable the users of financial statements to understand the judgments adopted by management’s in aggregating operating segments and the reasons for such aggregation. The amendments also clarify that the reconciliation of total segment assets and total assets of the entity is required only if provided periodically by management;
- “IAS 16 - *Property, plant and equipment*”; the amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount of that asset shall be adjusted in a manner consistent with the revaluation of the carrying amount. In addition, it also clarifies that the accumulated depreciation shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses;
- “IAS 24 - *Related party disclosures*”; the amendment clarifies that a management entity, i.e. an entity providing key management personnel services to an entity, is a related party of that entity. Accordingly, in addition to fees for services paid or payable to the management entity, the entity must report other transactions with the management entity, such as loans, within the disclosures required under IAS 24 for related parties. The amendment also clarifies that if an entity obtains key management personnel services from a management

entity, the entity is not required to disclose the compensation paid or payable by the management entity to those managers;

- "IAS 38 - *Intangible assets*"; the amendment clarifies that when an intangible asset is revalued, its gross carrying amount shall be adjusted in a manner consistent with the revaluation of the carrying amount. In addition, it also clarifies that the accumulated amortization shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses.

"Annual improvements to IFRSs 2010-2012 cycle" amended the Basis for Conclusions of "IFRS 13 - Fair value measurement" to clarify that short-term receivables and payables with no stated interest rate to apply to the invoice amount can still be measured without discounting, if the impact of discounting would not be material.

- > "Annual improvements to IFRSs 2012-2014 cycle", issued in September 2014; the document contains formal modifications and clarifications of existing standards that did not have an impact on these consolidated financial statements. More specifically, the following standards were amended:

- "IFRS 5 - *Non-current assets held for sale and discontinued operations*"; the amendments clarify that the reclassification of an asset (or disposal group) from held for sale to held for distribution should not be considered as a new plan of sale but rather the continuation of the original plan. Accordingly, the reclassification does not give rise to any interruption in the application of the provisions of IFRS 5 or any change in the date of classification;
- "IFRS 7 - *Financial instruments: disclosures*"; as regards disclosures to be provided on any continuing involvement in assets that have been transferred and derecognized in their entirety, the amendments clarify that for disclosure purposes, a servicing contract that provides for the payment of a fee can represent a continuing involvement in the transferred asset. The entity must assess the nature of the fee and the servicing contract to determine when disclosure is required. The amendments also clarify that disclosures concerning the offsetting of financial assets and liabilities are not required in condensed interim financial statements;
- "IAS 19 - *Employee benefits*"; IAS 19 requires that the discount rate used to discount post-employment benefit obligations shall be determined by reference to market yields on high quality corporate bonds or government bonds where there is not deep market in such

high quality corporate bonds. The amendment to IAS 19 clarifies that the depth of the market in high quality corporate bonds must be assessed on the basis of the currency in which the bond is denominated and not the currency of the country in which the bond is issued. If there is no deep market in high quality corporate bonds in that currency, the corresponding market yield on government bonds shall be used;

- "IAS 34 - *Interim financial reporting*"; the amendment establishes that the required disclosures for interim financial reports shall be provided in the interim financial statements or cross-referenced in the interim financial statements by way of a reference to another statement (e.g. a management risk report) that is available on the same terms and at the same time to users of the interim financial statements.

Accounting standards taking effect at a future date

The following new standards, amendments and interpretations take effect after December 31, 2016.

- > "IFRS 9 - *Financial instruments*", the final version was issued on July 24, 2014, replacing the existing "IAS 39 - Financial instruments: recognition and measurement" and supersedes all previous versions of the new standard. The standard will take effect as from January 1, 2018 and early application will be permitted.

The final version of IFRS 9 incorporates the results of the three phases of the project to replace IAS 39 concerning classification and measurement, impairment and hedge accounting.

As regards the classification of financial instruments, IFRS 9 provides for a single approach for all types of financial asset, including those containing embedded derivatives, under which financial assets are classified in their entirety, without the application of complex subdivision methods.

In order to determine how financial assets should be classified and measured, consideration must be given to the business model used to manage its financial assets and the characteristics of the contractual cash flows. In this regard, a business model is the manner in which an entity manages its financial assets in order to generate cash flows, i.e. collecting contractual cash flows, selling the financial assets or both.

Financial assets are measured at amortized cost if they are held in a business model whose objective is to col-

lect contractual cash flows and are measured at fair value through other comprehensive income (FVTOCI) if they are held with the objective of both collecting contractual cash flows and selling the assets. This category enables the recognition of interest calculated using the amortized cost method through profit or loss and the fair value of the financial asset through OCI.

Financial assets at fair value through profit or loss (FVTPL) is now a residual category that comprises financial instruments that are not held under one of the two business models indicated above, including those held for trading and those managed on the basis of their fair value.

As regards the classification and measurement of financial liabilities, IFRS 9 maintains the accounting treatment envisaged in IAS 39, making limited amendments, for which most of such liabilities are measured at amortized cost. It is still permitted to designate a financial liability as at fair value through profit or loss if certain requirements are met.

The standard introduces new provisions for financial liabilities designated as fair value through profit or loss, under which in certain circumstances the portion of changes in fair value due to own credit risk shall be recognized through OCI rather than profit or loss. This part of the standard may be applied early, without having to apply the entire standard.

Since during the financial crisis the impairment approach based on “incurred credit losses” had displayed clear limitations connected with the deferral of the recognition of credit losses until the occurrence of a trigger event, the standard proposes a new model that gives users of financial statements more information on “expected credit losses”.

In essence the model provides for:

- a) the application of a single approach for all financial assets;
- b) the recognition of expected credit losses on an ongoing basis and the updating of the amount of such losses at the end of each reporting period, with a view to reflecting changes in the credit risk of the financial instrument;
- c) the measurement of expected losses on the basis of reasonable information, obtainable without undue cost, about past events, current conditions and forecasts of future conditions;
- d) an improvement of disclosures on expected losses and credit risk.

IFRS 9 also introduces a new approach to hedge ac-

counting, with the aim of aligning hedge accounting more closely with risk management, establishing a more principle-based approach.

The new hedge accounting approach will enable entities to reflect their risk management activities in the financial statements, extending the criteria for eligibility as hedged items to the risk components of non-financial elements, to net positions, to layer components and to aggregate exposures (i.e. a combination of a non-derivative exposure and a derivative). The most significant changes regarding hedging instruments compared with the hedge accounting approach used in IAS 39 involve the possibility of deferring the time value of an option, the forward element of forward contracts and currency basis spreads (i.e. “hedging costs”) in OCI up until the time in which the hedged element impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall within a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.

Finally, IFRS 9 does not replace the provisions of IAS 39 concerning portfolio fair value hedge accounting for interest rate risk (“macro hedge accounting”) as that phase of the IAS 39 replacement project has been separated and is still under discussion. In April 2014, the IASB published a Discussion Paper Accounting for Dynamic Risk management: a Portfolio Revaluation Approach to Macro Hedging. In 2016 a transition project involving the three areas of application of the new standard was begun. The individual project areas address the following aspects:

- a) “Classification and Measurement”: an assessment of the current procedures for classifying financial instruments compared with the new policies provided for under IFRS 9 (i.e. SPPI test and business model). In addition, the project activities also include the analysis of contracts that could be measured at fair value, as the contractual cash flows might not be composed solely of payments of principal and interest, and of minority interests in unlisted companies which under IAS 39 are subject to the cost exemption while under IFRS 9 they would be measured at fair value, in order to identify appropriate valuation models;
- b) “Impairment”: analysis is under way of impaired financial assets, with a focus on trade receivables, which represent the majority of the Group’s credit exposure. More specifically, those receivables have been sub-divided into specific clusters, taking due

account of the applicable legislative and regulatory framework. Depending on the case, appropriate impairment models are being analyzed in application of the loss-rate approach or the general expected credit losses model;

- c) "Hedge Accounting": work on implementing the new hedge accounting model is under way, including effectiveness testing and rebalancing hedge relationships and analysis of the new strategies that can be applied under IFRS 9.

At the current stage of analysis it is not possible to provide a reasonable estimate of the possible impact of the new standard.

- > "IFRS 14 - *Regulatory deferral accounts*", issued in January 2014. The standard allows first-time adopters to continue to recognize rate-regulated amounts recognized under their previous GAAP at first-time adoption of the International Financial Reporting Standards. The standard may not be adopted by entities that already prepare their financial statements in accordance with the IFRS/IAS. In other words, an entity may not recognize rate-regulated assets and liabilities under IFRS 14 if its current GAAP do not permit such recognition or if the entity has not adopted such accounting treatment as permitted under its current GAAP. The European Commission has decided not to begin the endorsement process for this standard but to instead await the finalization of the broader project involving rate-regulated activities.
- > "IFRS 15 - *Revenue from contracts with customers*", issued in May 2014, including "Amendments of IFRS 15: effective date of IFRS 15", issued in September 2015. The new standard will replace "IAS 11 - Construction contracts", "IAS 18 - Revenue", "IFRIC 13 - Customer loyalty programmes", "IFRIC 15 - Agreements for the construction of real estate", "IFRIC 18 - Transfers of assets from customers" and "SIC 31 - Revenue - Barter transactions involving advertising services" and will apply to all contracts with customers, with a number of exceptions (for example, lease and insurance contracts, financial instruments, etc.). The new standard establishes a general framework for the recognition and measurement of revenue based on the following fundamental principle: the recognition of revenue in a manner that faithfully depicts the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The fundamental principle will be applied on the basis of five key phases (steps): the entity must identify the contract with

the customer (step 1); it must identify the performance obligations in the contract, recognizing separable goods or services as separate obligations (step 2); the entity must then determine the transaction price, which is represented by the consideration that it expects to obtain (step 3); the entity must then allocate the transaction price to the individual obligations identified in the contract on the basis of the individual price of each separable good or service (step 4); revenue is recognized when (or if) each individual performance obligation is satisfied through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service (step 5).

IFRS 15 also provides for a series of notes to ensure complete disclosure concerning the nature, amount, timing and degree of uncertainty of the revenue and cash flows associated with contracts with customers.

The standard shall take effect, subject to endorsement, for periods beginning on or after January 1, 2018.

A project was initiated in 2016 to identify the possible impact of the standard on the Group's consolidated financial statements. At the current stage of analysis, which is still under way, the most significant aspects that we feel will be affected by the new provisions of IFRS 15 regard: (i) identification of the contractual obligations; (ii) contracts with multiple contractual obligations; (iii) contracts with variable consideration and the timing of recognition; (iv) contracts in which a third party is involved in supplying goods/services to customers, distinguishing between cases in which the Group (or the counterparty) is acting as a principal or as an agent; (v) the capitalization of contract acquisition costs and the performance of contracts with customers; and (vi) the disclosure to provide in order to comply with the standard.

At the current stage of analysis it is not possible to provide a reasonable estimate of the possible impact of the new standard.

During the analysis process, the Group may also define the procedures for the first-time application of the standard.

- > "Clarification to IFRS 15 - *Revenue from contracts with customers*", issued in April 2016, introduces amendments of the standard in order to clarify a number of practical expedients and topics addressed by the Joint Transition Resource Group established by the IASB and the FASB. The aim of these amendments is to clarify a number of provisions of IFRS 15 without modifying the basic principles of the standard. The amendments shall take effect, subject to endorsement, for periods beginning on or after January 1, 2018.

> “IFRS 16 - *Leases*”, issued in January 2016, replaces the previous standard governing leases, IAS 17, and the associated interpretations. It establishes the criteria for the recognition, measurement and presentation of leases for both the lessor and the lessee and the associated disclosures. Although IFRS 16 does not modify the definition of a lease contract set out in IAS 17, the main change is represented by the introduction of the concept of control within that definition. More specifically, in order to determine whether a contract represents a lease, IFRS 16 requires the lessee to determine whether it has the right to control the use of a given assets for a specified period of time. IFRS 16 eliminates the distinction between operating and finance leases, as required under IAS 17, introducing a single method for recognizing all leases. Under the new approach, the lessee must recognize:

- a) in the balance sheet, the assets and liabilities in respect of all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- b) in the income statement, the depreciation of the assets involved in the lease contract separately from the interest connected with the associated liabilities.

For lessors, IFRS 16 essentially retains the recognition requirements provided for under IAS 17. Accordingly, the lessor shall continue to classify and recognize leases as operating or finance leases. The standard will apply, subject to endorsement, for periods beginning on or after January 1, 2019. The Group is assessing the potential impact of the future application of the standard.

> “Amendments to IAS 7 - *Disclosure Initiative*”, issued in January 2016. The amendments apply to liabilities and assets arising from financing activities, which are defined as liabilities and assets for which cash flows were, or will be, classified in the statement of cash flows as “cash flows from financing activities”. The amendments require disclosure of changes in such liabilities/assets, distinguishing between cash flow changes and non-cash variations (i.e. variations arising from the effect of changes in foreign exchange rates and changes in fair values). The IASB suggests providing such disclosure in a reconciliation between the opening and closing balances for the period for such liabilities/assets. The amendments will take effect for periods beginning on or after January 1, 2017. The Group does not expect the future application of the amendments to have an impact.

> “Amendments to IAS 12 - *Recognition of deferred tax assets for unrealised losses*”, issued in January 2016. The amendments clarify the recognition of deferred tax

assets in respect of debt instruments measured at fair value. More specifically, the amendments clarify the requirements for recognizing deferred tax assets for unrealized losses in order to eliminate differences in accounting treatment. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2017. Early application is permitted. The Group is assessing the potential impact of the future application of the amended standard.

> “Amendments to IFRS 10 and IAS 28 - *Sale or contribution of assets between an investor and its associate or joint venture*”, issued in September 2014. The amendments establish that in the case of the sale or contribution of assets to a joint venture or an associate, or the sale of an interest that gives rise to a loss of control while maintaining joint control or significant influence over the associate or joint venture, the amount of the gain or loss recognized shall depend on which the assets or interest constitute a business in accordance with “IFRS 3 - Business combinations”. More specifically, if the assets/interest constitute a business, any gain (loss) shall be recognized in full; if the assets/interest does not constitute a business, any gain (loss) shall only be recognized to the extent of the unrelated investors’ interests in the associate or joint venture, who represent the counterparties in the transaction. The EFRAG has recommended that the European Commission postpone endorsement of the amendments until the IASB completes its project on the elimination of gains and losses on transactions between an entity and its associates or joint ventures.

> “Amendments to IFRS 2 - *Classification and measurement of share-based payment transactions*”, issued in June 2016. The amendments:

- clarify that the fair value of a share-based transaction settled in cash at the measurement date (i.e. at the grant date, at the close of each accounting period and at the settlement date) shall be calculated by taking account of market conditions (e.g. a target price for the shares) and non-vesting conditions, ignoring service conditions and performance conditions other than market conditions;
- clarify that share-based payments with net settlement for withholding tax obligations should be classified in their entirety as equity-settled transactions (if they would be so classified in the absence of the net settlement feature);
- establish provisions for the accounting treatment of changes in terms and conditions that result in a change in the classification of the transaction from cash-settled to equity-settled.

The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> “Amendments to IFRS 4 - *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*”, issued in September 2016. The amendments:

- permit insurers whose activities are predominantly connected with insurance to postpone the application of IFRS 9 until 2021 (“temporary exemption”); and
- permits insurers, until the future issue of the new accounting standard for insurance contracts, to recognize the volatility that should be caused by the application of IFRS 9 in other comprehensive income rather than through profit or loss (the “overlay approach”).

The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> “IFRIC 22 - *Foreign currency transactions and advance consideration*”, issued in December 2016; the interpretation clarifies that, for the purpose of determining the exchange rate to be used in the initial recognition of an asset, expense or income (or part of it) the date of the transaction is that on which the entity recognizes any non-monetary asset (liability) in respect of advance consideration paid (received). If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> “Amendments to IAS 40 - *Transfers of investment property*”, issued in December 2016; the amendments clarify that transfers of property to or from investment property shall be permitted only when there is a change in use supported by evidence of that change. A change in management’s intentions does not in itself provide evidence of a change in use sufficient to support the transfer. The amendments broadened the examples of changes of use to include property under construction or development and not just the transfer of completed properties. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> “Annual improvements to IFRSs 2014-2016 cycle”, issued

in December 2016; the document contains formal modifications and clarifications of existing standards that are not expected to have a significant impact on the Group. More specifically, the following standards were amended:

- “IFRS 1 - *First-time adoption of International Financial Reporting Standards*”; the amendments eliminated the “short-term exemptions from IFRSs” regarding the transition to IFRS 7, IAS 19 and IFRS 10. These transition provisions were only available for past reporting periods and are therefore now no longer applicable. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018;
- “IFRS 12 - *Disclosure of interests in other entities*”; the amendments clarify that the provisions governing disclosure under IFRS 12, with the exception of summarized financial information, also apply to interests in entities classified as held for sale. Prior to the amendments, it was not clear whether the provisions of IFRS 12 were applicable to such interests. The amendments will apply retrospectively, subject to endorsement, for periods beginning on or after January 1, 2017;
- “IAS 28 - *Investments in associates and joint ventures*”; the amendments clarify that, regarding the option available to a venture capital organization (or a mutual fund, unit trust and similar entities, including investment-linked insurance funds) to measure an investment in an associate or joint venture at fair value through profit or loss, those entities shall make this election at initial recognition separately for each associate or joint venture. Similar clarifications were made for entities that are not investment entities and that, when they apply the equity method, elect to retain the fair value measurement applied by the investment entities that represent their interests in associates or joint ventures. The amendments will apply retrospectively, subject to endorsement, for periods beginning on or after January 1, 2018.

4

Restatement of comparative disclosures

As from the close of the period at September 30, 2016, the new organizational model of the Enel Group can be consid-

ered fully operational. The adoption of the model was first announced in the 2nd Quarter of 2016, at the time of the presentation of the new organizational structure.

The main changes in the organizational model include the integration of the various companies belonging to the Enel Green Power Group in the various Divisions by geographical area, functionally including the large hydro activities that are still formally operated by the thermal generation companies, and a new definition of the geographical areas (Italy, Iberia, Europe and North Africa, Latin America, North and Central America, Sub-Saharan Africa and Asia, Central/Parent Company). The new business structure is also broken down as follows: Thermal Generation and Trading, Infrastructure and Networks, Renewables, Retail, Services and Parent Company. Accordingly, the new matrix structure is organized into the following Divisions (Global Thermal Generation, Global Infrastructure and Networks, Renewable Energy and Global Trading) and Regions and Countries (Italy, Iberia, Europe and North Africa, Latin America, North and Central America, Sub-Saharan Africa and Asia), and will, from this year, also represent the basis of planning, reporting and assessment of the financial performance of the Group, both internally by top management and in relations with the financial community.

In view of these developments, it has also become necessary to review disclosures under “IFRS 8 - Operating segments”, as reported in note 6 below, which have also been supplemented with restated comparative figures to ensure full comparability.

In addition, the structure of “cash flow from operating activities” in the consolidated statement of cash flows, which has maintained its overall value unchanged, underwent structural modifications in order to improve the presentation of events, which involved the restatement of items for 2015 in order to improve comparability.

5

Main changes in the scope of consolidation

In the two periods under review, the scope of consolidation changed as a result of a number of transaction.

2015

- > Acquisition, on March 6, 2015, of the share not previously held by the Group, amounting to 66.7%, of **3Sun**, a photovoltaic firm. Through this acquisition, the Group obtained control of the company, which is now consolidated on a line-by-line basis;
- > acquisition, on September 24, 2015, acting through the subsidiary Enel Green Power, of a controlling interest of 68% in **BLP Energy**, a company operating in the renewables sector in India;
- > acquisition, in September 2015, of the remaining 60% of the **ENEOP Group**, identified in a split agreement with the other participants in the venture, with the acquisition being settled with the concomitant transfer of the 40% that Enel Green Power held in the other two portfolios transferred to the other partners in the consortium;
- > disposal, on November 26, 2015, of the **ENEOP Group** and other Portuguese companies in which Enel Green Power held an interest;
- > full consolidation, following changes in shareholders' agreements, in December 2015, of **Osage Wind**, a company 50% held by Enel Green Power North America, previously accounted for using the equity method;
- > acquisition of a controlling interest of 78.6% in **Erdwärme Oberland**, a company specialized in the development of geothermal projects in Germany;
- > contribution, on December 31, 2015, of the former wholly-owned subsidiaries Altomonte, Enel Green Power San Gilio and Enel Green Power Strambino Solar to an equally held joint venture (**Ultor**) with the fund F2i accounted for using the equity method.

In addition to the above changes in the scope of consolidation, the period also saw the following transactions, which although they do not represent transactions involving the acquisition or loss of control, gave rise to a change in the interest held by the Group in the investees:

- > disposal, on March 31, 2015, of 49% of **EGPNA Renewable Energy Partners**, an electricity generation company in the United States. Since the Group has maintained control of the company, the transaction is one involving a non-controlling interest;
- > acquisition, on April 8, 2015, of the remaining 49% of **Energia Eolica**, a wind generation company operating in Italy in which the Group already held an interest of 51%.

- > Disposal, completed in early March 2016, of **Compostilla Re**, which at December 31, 2015 had been classified as "held for sale". The sale price was €101 million (the company also held liquid assets of about €111 million) and generated a gain of about €19 million;
- > disposal, on May 1, 2016, of 65% of **Drift Sand Wind Project**, a company operating in the wind generation sector in the United States. The sale price was €72 million and generated a gain of about €2 million and a re-measurement at fair value of the remaining 35% of about €4 million;
- > disposal, completed on July 13, 2016, of **Enel Longanesi**, which held the Italian assets (composed of 21 applications for onshore and offshore exploration permits and exploration permits) in the upstream gas sector. The maximum sales price is €30 million, of which about €7 million were collected immediately, while the right to receive the remainder (in multiple tranches) is subject to a number of conditions, such as the start of production at the Longanesi gas field in Emilia Romagna, scheduled for 2019, and price developments in the gas market. No capital losses were recognized through profit or loss given that its value had already be adjusted to estimated realizable value;
- > disposal, on July 28, 2016, of 50% of **Slovak Power Holding** ("SPH"), which in turn holds 66% of **Slovenské elektrárne** ("SE"). More specifically, Enel Produzione finalized the disposal to EP Slovakia, a subsidiary of Energetický a průmyslový holding ("EPH"), of 50% of SPH in execution of the contract agreed on December 18, 2015 between Enel Produzione and EP Slovakia. The total price for the two phases, equal to €750 million (of which €150 million paid immediately in cash), is subject to a price adjustment mechanism, which will be calculated by independent experts and applied at the closing of the second phase on the basis of a number of parameters, including the evolution of the net financial position of SE, developments in energy prices in the Slovakian market, the operating efficiency of SE measured on the basis of benchmarks defined in the contract and the enterprise value of Mochovce units 3 and 4. Accordingly, the financial receivable generated by the disposal is measured at fair value through profit or loss. The same parameters described above were used in determining the recoverable value of the interest in the SPH joint venture;
- > acquisition of control, on October 1, 2016, of **Distribuidora Eléctrica de Cundinamarca** ("DEC"), previously

accounted for using the equity method, through the merger of DEC into Codensa (which had already held 49%); for more details, please see note 5.1 below;

- > loss of control, on November 21, 2016, following changes in governance arrangements and the disposal of an interest of 1%, for €12 million, of **EGPNA Renewable Energy Partners** ("EGPNA REP"), a developer of renewables generation projects in the United States. As from that date, it has been accounted for using the equity method. The transaction involved the recognition of a gain of €2 million and the recognition of income from remeasurement at fair value of the 50% still held by EGPNA of €95 million;
- > disposal, on November 30, 2016, of 100% of **Enel France**, a thermal generation company in France at a price of about zero, generating a loss of €4 million;
- > loss of control, on December 20, 2016, of **Enel OpEn Fiber** (now OpEn Fiber - OF) following a capital increase by Enel and CDP Equity ("CDPE"), after which Enel and CDPE hold an equal stake in OF, which is therefore accounted for as from that date using the equity method;
- > disposal, on December 28, 2016, of the **Cimarron** and **Lindahl** wind farms to the EGPNA REP joint venture, the starting point of a new industrial growth strategy founded on a less capital-intensive "Build, Sell and Operate";
- > virgolette graziate approach intended to accelerate the development of project pipelines at the global level. The loss of control generated a gain of €37 million;
- > disposal, on December 30, 2016, of 100% of **Marcinelle Energie**, a thermal generation company in Belgium, for a total of €36,5 million, all of which has been paid. During 2016, the net asset value of Marcinelle was adjusted to its estimated realizable value with the recognition of an impairment loss of €51 million. The sales price is subject to customer price adjustments that include an earn-out clause.

In addition to the above changes in the scope of consolidation, the period also saw the following transactions, which although they do not represent transactions involving the acquisition or loss of control, gave rise to a change in the interest held by the Group in the investees:

- > disposal, on February 29, 2016, of the remaining interest in **Hydro Dolomiti Enel**, a company operating in the hydroelectric generation sector in Italy. The sales price was initially estimated at €335 million. Subsequently, following specification of a price adjustment (a negative €22 million) in application of the contractual price formula up-

dated on the basis of the final disposal accounts, a capital gain of €124 million was recognized;

- > on March 31, 2016, the non-proportional demerger of **Enel Green Power** took effect, following which – with a capital increase by Enel SpA as part of the demerger – the Group increased its stake in the company from 68.29% to 100%, with the consequent reduction of non-controlling interests; for more information, please see note 5.2 below;
- > on May 3, 2016, Enel Green Power acquired the remaining 40% of **Maicor Wind**, a company operating in the wind generation sector in Italy, thus becoming its sole shareholder;
- > on July 27, 2016, Enel Green Power International, a wholly-owned subsidiary of Enel, sold 60% of **Enel Green Power España** ("EGPE") to Endesa Generación, a whol-

ly-owned subsidiary of Endesa, which as it already held the other 40% of EGPE became its sole shareholder. In the consolidated financial statements, the transaction produced a decrease in the interest pertaining to the Group (from 88.04% to 70.10%) in the results of EGPE as from the time the operation took effect;

- > merger, on December 1, 2016, into **Enel Américas** of Endesa Américas and Chilectra Américas, companies created with the demerger of Enersis, Endesa Chile and Chilectra. As the combined effect of exchange ratios between shares and the exercise of the right of withdrawal by some shareholders of the companies involved in the transaction, the percentage interest in the companies held directly or indirectly by Enel Américas changed. For more information, please see note 5.3 below.

5.1 Acquisition of control of Distribuidora Eléctrica de Cundinamarca

On October 1, 2016, the Codensa subsidiaries Distribuidora Eléctrica de Cundinamarca SA ("DEC") and Empresa de Energía de Cundinamarca ("EEC") were merged into Codensa itself. More specifically, the merger was carried

out with no monetary impact by way of the exchange of newly issued Codensa shares (equal to 1.25% of share capital, with a fair value of €25 million) with DEC and EEC shares. The following table reports the effects of the transaction at the consolidated level, which involved a negative remeasurement at fair value of the interests held previously in DEC and EEC of €10 million and the recognition of negative goodwill from the business combination of €4 million.

Effects of the transaction

Millions of euro

Property, plant and equipment	125
Trade receivables	19
Cash and cash equivalents	8
Borrowings	(38)
Employee benefits	(27)
Provisions for risks and charges	(11)
Trade payables	(19)
Other net liabilities	(4)
Non-controlling interests	(29)
Fair value of net assets corresponding to interest held previously	24
Carrying amount of book interest held previously	34
Remeasurement to fair value of the interest prior to acquisition of control	(10)

Millions of euro

Fair value of interest held previously	24
Fair value of newly issued Codensa shares	25
Cost of the acquisition	49
Fair value of net assets acquired	53
Negative goodwill	4

5.2 Enel Green Power integration

Following the execution of the instrument of demerger on March 25, 2016, which took effect at the last moment of March 31, 2016, the partial, non-proportional demerger of Enel Green Power SpA ("EGP") to Enel was completed. The operation involved:

- > the assignment by EGP to Enel of the demerged assets represented by the 100% stake held by EGP in Enel Green Power International, a Dutch holding company that holds investments in nearly all companies operating in the renewable energy sector abroad, and all the assets, liabilities, contracts and other legal relationships associated with that investment; and
- > the retention by EGP of all remaining assets and liabilities other than those that are part of the demerged assets indicated above (and thus, essentially, all Italian operations and a small number of remaining foreign investments).

Since the transaction involved a non-proportional demerger:

- > shareholders of EGP other than Enel exchanged all the shares they hold in EGP with Enel shares at an exchange ratio of 0.486 Enel shares for each EGP share; and
- > Enel exchanged the shares corresponding to its stake in the demerged assets with Enel shares, which were immediate-

ly cancelled in accordance with Article 2504-ter, paragraph 2, and Article 2506-ter, paragraph 5, of the Italian Civil Code.

At the consolidated level, the operation therefore involved:

- > an increase of €764 million in the share capital of Enel SpA (which at March 31, 2016 was therefore equal to €10,166,679,946, represented by the same number of ordinary shares with a par value of €1 each), following the issue of shares as part of the demerger;
- > an increase in the share premium reserve of €2,212 million, reflecting the value of the shares issued as part of the demerger;
- > a reclassification of €80 million from non-controlling interests to a Group equity reserve to reflect the increase in the investment in EGP from 68.29% to 100%;
- > a reduction of non-controlling interests in respect of the financial outlay incurred to redeem the shares of former EGP shareholders who exercised the right of withdrawal (€27 million);
- > the recognition, directly in equity as a reduction in the share premium reserve, of transaction costs (€14 million net of tax effects).

Effects of the transaction

Millions of euro

Increase in share capital	764
Increase in share premium reserve	2,212
Cash payment following exercise of the right of withdrawal	27
Cost of the acquisition	3,003
Non-controlling interests acquired ⁽¹⁾	(2,026)
Reserve from transactions in non-controlling interests	(977)

(1) Does not include portion under other comprehensive income in the amount of €80 million.

5.3 Corporate reorganization in Latin America

During 2016, the ownership structure of the companies previously belonging to the Enersis Group underwent a far-reaching reorganization with a view to separating assets in Chile from those in the other Latin American countries. The first step in the reorganization – in March 2016 – involved the split of Enersis into two companies (Enersis Chile – now Enel Chile – and Enersis Américas – now Enel Américas), with an analogous process for the subsidiaries Endesa Chile and Chilectra. At the extraordinary shareholders' meeting of September 28, 2016, shareholders of Enersis Américas, Endesa Américas and Chilectra Américas approved, with more than two

thirds of voting shares of each of the entities, the merger of the three companies.

On September 14, 2016, Enersis Américas initiated a tender offer for all shares issued by Endesa Américas and a tender offer for the American Depositary Shares ("ADS"). The offer closed – once all conditions had been met – on October 28, 2016, increasing the interest in Endesa Américas by 3.23%, with a cash outlay of €140 million.

Following the merger, which took place on December 1, 2016, and taking account of the effects of the above tender offer, the Group's interest in all of the companies were changed, prompting a reclassification between Group equity and non-controlling interests.

Segment information

The representation of performance and financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods being compared.

For more information on performance and financial developments during the year, please see the dedicated section in the report on operations.

Segment information for 2016 and 2015

Results for 2016 ⁽¹⁾

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	36,081	18,831	10,739	3,618	1,122	29	172	70,592
Revenue from transactions with other segments	876	122	29	180	3	-	(1,210)	-
Total revenue	36,957	18,953	10,768	3,798	1,125	29	(1,038)	70,592
Total costs	30,012	15,522	7,221	3,030	291	15	(908)	55,183
Net income/(expense) from commodity contracts measured at fair value	(266)	131	9	(6)	(1)	-	-	(133)
Depreciation and amortization	1,698	1,677	952	246	249	12	56	4,890
Impairment losses	596	359	442	248	19	7	55	1,726
Reversals of impairment losses	(2)	(240)	(1)	(18)	-	-	-	(261)
Operating income	4,387	1,766	2,163	286	565	(5)	(241)	8,921
Capital expenditure	1,883	1,147	3,069	265 ⁽²⁾	1,832	304	52 ⁽³⁾	8,552

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

(3) Does not include €283 million regarding units classified as "held for sale".

(4) Does not include €7 million regarding units classified as "held for sale".

Results for 2015 restated ⁽¹⁾

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	39,252	20,021	10,818	4,645	879	18	25	75,658
Revenue from transactions with other segments	1,475	463	10	345	3	-	(2,296)	-
Total revenue	40,727	20,484	10,828	4,990	882	18	(2,271)	75,658
Total costs	33,996	17,132	7,518	3,522	305	11	(1,955)	60,529
Net income/(expense) from commodity contracts measured at fair value	185	1	(4)	(17)	(2)	-	5	168
Depreciation and amortization	1,699	1,679	935	334	202	2	36	4,887
Impairment losses	629	422	69	1,700	35	1	122	2,978
Reversals of impairment losses	-	(221)	(18)	(14)	-	-	-	(253)
Operating income	4,588	1,473	2,320	(569)	338	4	(469)	7,685
Capital expenditure	1,843 ⁽²⁾	1,001	2,937	249 ⁽³⁾	720	311	52	7,113

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

(2) Does not include €1 million regarding units classified as "held for sale".

(3) Does not include €648 million regarding units classified as "held for sale".

Financial position by segment

At December 31, 2016

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Property, plant and equipment	25,981	24,174	17,411	3,048	4,831	780	46	76,271
Intangible assets	1,314	15,671	11,045	743	633	113	(34)	29,485
Trade receivables	9,429	2,243	1,835	317	111	18	(447)	13,506
Other	3,409	1,461	515	179	41	2	(134)	5,473
Operating assets	40,133 ⁽¹⁾	43,549	30,806	4,287	5,616 ⁽²⁾	913	(569)	124,735
Trade payables	7,606	2,155	2,433	374	493	23	(396)	12,688
Sundry provisions	3,077	4,096	1,039	127	25	18	617	8,999
Other	7,125	3,042	1,850	305	210	54	340	12,926
Operating liabilities	17,808	9,293	5,322	806	728	95	561	34,613

(1) Of which €4 million regarding units classified as "held for sale".

(2) Of which €2 million regarding units classified as "held for sale".

At December 31, 2015 restated

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Property, plant and equipment	25,998	24,640	14,115	6,658	5,174	394	72	77,051
Intangible assets	1,161	15,701	10,376	997	673	107	51	29,066
Trade receivables	8,862	2,260	1,815	410	110	6	(607)	12,856
Other	3,709	1,470	485	636	107	4	(334)	6,077
Operating assets	39,730	44,071	26,791	8,701 ⁽¹⁾	6,064	511	(818)	125,050
Trade payables	6,982	2,156	2,349	809	395	80	(718)	12,053
Sundry provisions	3,626	3,828	834	2,062	34	14	661	11,059
Other	7,035	2,852	1,190	627	128	33	16	11,881
Operating liabilities	17,643	8,836	4,373	3,498 ⁽²⁾	557	127	(41)	34,993

(1) Of which €4,231 million regarding units classified as "held for sale".

(2) Of which €2,331 million regarding units classified as "held for sale".

The following table reconciles segment assets and liabilities and the consolidated figures.

Millions of euro

	at December 31, 2016	at December 31, 2015
Total assets	155,596	161,179
Equity investments accounted for using the equity method	1,558	607
Other non-current financial assets	3,892	3,274
Long-term tax receivables included in "Other non-current assets"	301	463
Other current financial assets	3,053	2,381
Derivatives	5,554	7,416
Cash and cash equivalents	8,290	10,639
Deferred tax assets	6,665	7,386
Income tax receivables	879	636
Long-term tax receivables included in "Other current assets"	664	706
Financial and tax assets of "Assets held for sale"	5	2,621
Segment assets	124,735	125,050
Total liabilities	103,021	109,428
Long-term borrowings	41,336	44,872
Short-term borrowings	5,372	2,155
Current portion of long-term borrowings	4,384	5,733
Other current financial liabilities	1,264	1,063
Derivatives	5,854	7,027
Deferred tax liabilities	8,768	8,977
Income tax payable	359	585
Other tax payables	1,071	990
Financial and tax liabilities included in disposal groups classified as "held for sale"	-	3,033
Segment liabilities	34,613	34,993

Revenue

7.a Revenue from sales and services - €68,604 million

Millions of euro

	2016	2015	Change	
Revenue from the sale of electricity	42,337	46,638	(4,301)	-9.2%
Revenue from the transport of electricity	9,587	9,911	(324)	-3.3%
Fees from network operators	557	826	(269)	-32.6%
Transfers from institutional market operators	1,462	1,152	310	26.9%
Revenue from the sale of gas	3,876	4,045	(169)	-4.2%
Revenue from the transport of gas	563	509	54	10.6%
Revenue from fuel sales	7,028	7,104	(76)	-1.1%
Connection fees to electricity and gas networks	814	829	(15)	-1.8%
Revenue from the sale of environmental certificates	560	343	217	63.3%
Revenue from other sales and services	1,820	1,719	101	5.9%
Total	68,604	73,076	(4,472)	-6.1%

In 2016, “revenue from the sale of electricity” came to €42,337 million (€46,638 million in 2015), including €29,101 million in revenue from electricity sales to end users (€29,994 million in 2015), €11,009 million in revenue from wholesale electricity sales (€13,355 million in 2015), and €2,227 million in revenue from the trading of electricity (€3,289 million in 2015). The decrease was mainly due to a general reduction in volumes generated and transported in an environment of declining average sales prices and was heavily influenced by the deconsolidation of Slovenské elektrárne.

“Revenue from the transport of electricity” totaled €9,587 million in 2016, a decrease of €324 million, which was particularly concentrated in Italy where the effect of volume increases was more than offset by a reduction in distribution rates (under the provisions of Resolution 654/2015 of the Authority for Electricity, Gas and the Water System concerning the regulation of electricity transmission, distribution and metering rates for the 2016-2023 regulatory period) and by the further negative effect of greater revenue recognized in 2015 as a result of changes to the regulatory lag established with the above resolution.

In 2016, revenue related to “transfers from institutional market operators” came to €1,462 million, up €310 million

compared with the previous year. The increase can be attributed to the increase in incentives received as “feed-in premiums” (formerly green certificates) of the renewable energy companies in Italy following replacement of the green-certificate incentives mechanism under a Ministerial Decree of July 6, 2012.

“Revenue from the sale of gas” in 2016 came to €3,876 million (€4,045 million in 2015), decreasing by €169 million, due essentially to reduced revenue in the Iberian Peninsula as a result, in particular, of lower unit prices compared with the rates applied in 2015.

“Revenue from the transport of gas” totaled €563 million, increasing by €54 million (+10.6%) due above all to the greater quantities transported in Italy.

“Revenue from fuel sales” in 2016 amounted to €7,028 million, including €6,953 million for the sale of gas (€7,053 million in 2015) and €75 million for the sale of other fuels (€51 million in 2015). The decrease for the year was due to lower average prices.

Finally, “revenue from the sale of environmental certificates” increased by €217 million, largely due to an increase in sales of environmental certificates and CO₂ emissions allowances.

The table below gives a breakdown of revenue from sales and services by geographical area.

Millions of euro

	2016	2015
Italy	27,516	28,705
Europe		
Spain	17,097	18,261
Portugal	856	914
France	1,001	1,439
Switzerland	367	362
Germany	1,880	2,556
Austria	10	20
Slovenia	29	26
Slovakia	660	1,240
Romania	996	1,031
Greece	60	64
Bulgaria	9	9
Belgium	416	365
Czech Republic	382	679
Hungary	335	356
Russia	961	1,022
Netherlands	3,554	3,414
United Kingdom	1,008	1,214
Other European countries	144	67
Americas		
United States	367	463
Canada	-	11
Mexico	144	166
Brazil	2,536	2,864
Chile	3,510	3,377
Peru	1,215	1,226
Colombia	2,028	2,114
Argentina	1,051	588
Other South American countries	156	172
Other		
Africa	28	3
Asia	288	348
Total	68,604	73,076

7.b Other revenue and income - €1,988 million

Millions of euro

	2016	2015	Change	
Operating grants	22	8	14	-
Grants for environmental certificates	536	874	(338)	-38.7%
Capital grants (electricity and gas business)	19	17	2	11.8%
Sundry reimbursements	241	239	2	0.8%
Gains on disposal and negative goodwill on acquisitions of subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	399	313	86	27.5%
Gains on remeasurement at fair value after changes in control	99	80	19	23.8%
Gains on the disposal of property, plant and equipment, and intangible assets	65	52	13	25.0%
Service continuity bonuses	51	65	(14)	-21.5%
Other revenue	556	934	(378)	-40.5%
Total	1,988	2,582	(594)	-23.0%

"Grants for environmental certificates" decreased by €338 million from the prior year due to replacement of the green-certificate incentives mechanism as established by Ministerial Decree on July 6, 2012, as mentioned above.

"Sundry reimbursements" concern reimbursements from customers and suppliers totaling €57 million (€110 million in 2015) and insurance indemnities in the amount of €184 million (€129 million in 2015). This performance is in line with the previous year, although it includes an increase in insurance indemnities, particularly in Brazil for the distribution companies, which was nearly entirely offset by the decrease in Spain due to significant reimbursements from customers for fraudulent connections to the network recognized in 2015.

Gains on disposals and negative goodwill amounted to €399 million in 2016, an increase of €86 million, mainly attributable to a gain of €171 million on the sale GNL Quintero (an associated company in which the Group held a 20% interest), a gain of €124 million on the sale of Hydro Dolomiti Enel, and a gain of €35 million recognized by Enel Green Power Kansas for the sale of its subsidiaries Cimarron and Lindahl in

December 2016. There was also a gain of about €2 million on the sale of a 1% interest in Enel Green Power North America Renewable Energy Partner ("EGPNA REP").

The figure for the previous year mainly included a gain of about €141 million on the sale of SE Hydropower, a gain of around €15 million from the sale of SF Energy and negative goodwill in the amount of €76 million following the acquisition of a controlling interest in 3Sun.

"Gains on remeasurement at fair value after changes in control" totaled €99 million and mainly concerned the aforementioned adjustment to fair value of the assets and liabilities of the Group following the loss of a controlling interest in EGPNA REP due to the sale of the 1% interest.

The decrease in "other revenue" is mainly attributable to the greater revenue recognized during the previous year (in the amount of €354 million) by the Argentine distribution company due to regulatory changes introduced with *Resolución 32/2015*, which were extensively revised following an increase in rates agreed on by regulators in Argentina beginning in 2016.

Costs

8.a Electricity, gas and fuel purchases - €32,039 million

Millions of euro

	2016	2015	Change	
Electricity	18,514	22,218	(3,704)	-16.7%
Gas	10,514	11,710	(1,196)	-10.2%
Nuclear fuel	165	250	(85)	-34.0%
Other fuels	2,846	3,466	(620)	-17.9%
Total	32,039	37,644	(5,605)	-14.9%

“Electricity” purchases for 2016 included purchases from the Acquirente Unico (Single Buyer) in the amount of €3,169 million (€3,695 million in 2015) and from GME (Energy Markets Operator) in the amount of €1,769 million (€1,553 million in 2015). The decrease in the aggregate mainly regards the reduction in costs for electricity purchases on electricity exchanges and on national and international markets due to a decrease in both average prices and quantities purchased. Purchases of “gas” decreased by €1,196 million, essentially

due to a reduction in intermediation activities on the fuel market as result of both lower volumes handled and consumed and lower average unit costs compared with the previous year.

Purchases of “other fuels” diminished by €620 million, to €2,846 million in 2016, mainly due to the reduction in consumption in an environment of falling prices.

8.b Services and other materials - €17,393 million

Millions of euro

	2016	2015	Change	
Transmission and transport	9,448	9,118	330	3.6%
Maintenance and repairs	1,169	1,213	(44)	-3.6%
Telephone and postal costs	190	209	(19)	-9.1%
Communication services	113	104	9	8.7%
IT services	442	364	78	21.4%
Leases and rentals	541	577	(36)	-6.2%
Other services	3,782	3,794	(12)	-0.3%
Other materials	1,708	1,078	630	58.4%
Total	17,393	16,457	936	5.7%

Costs for services and other materials amounted to €17,393 million in 2016, an increase on 2015 of €936 million, due essentially to greater costs for the purchase of environmental certificates and CO₂ emissions allowances.

Transmission and transport costs increased by €330 million due mainly to an increase in electricity consumption in the leading markets in which the Group operates.

8.c Personnel - €4,637 million

Millions of euro

	2016	2015	Change	
Wages and salaries	3,127	3,306	(179)	-5.4%
Social security contributions	901	953	(52)	-5.5%
Deferred compensation benefits	105	125	(20)	-16.0%
Other post-employment and long-term benefits	129	(831)	960	-
Early retirement incentives	228	1,601	(1,373)	-85.8%
Other costs	147	159	(12)	-7.5%
Total	4,637	5,313	(676)	-12.7%

Personnel costs amounted to €4,637 million in 2016, a decrease of €676 million.

The workforce contracted by 5,834 due both to the net balance of hirings and terminations related to early retirement incentives (a decrease of 1,554) and, above all, to the change in the scope of consolidation (a decrease of 4,280) related essentially to the deconsolidation of the companies in Slovakia.

The reduction in “wages and salaries” and in “social security contributions” essentially reflects the decrease in the average workforce in 2016 as described below.

The change in “other post-employment and long-term benefits” can essentially be attributed to the reversal of the provision for the electricity discount related to former Italian

employees (€902 million) following the unilateral revocation of that benefit in 2015.

“Early retirement incentives” amounted to €228 million in 2016. The decrease compared with 2015 (in the amount of €1,373 million) is mainly attributable to the agreements for early retirement reached in Italy in December 2015, in accordance with Article 4 of Law 92/2012 (€1,128 million) and to the reduction in early-retirement terminations in Spain (“*Acuerdo Voluntario de Salida*”), which produced a decrease of €159 million in costs compared with 2015.

For more details, see the section concerning the provision for early retirement incentives under note 35 below.

The table below shows the average number of employees by category, along with a comparison with the previous year, as well as the actual numbers as of December 31, 2016.

	Average number ⁽¹⁾			Headcount ⁽¹⁾
	2016	2015	Change	at Dec. 31, 2016
Senior managers	1,329	1,457	(128)	1,284
Middle managers	10,185	10,177	8	9,795
Office staff	34,373	34,769	(396)	32,654
Blue collar	19,401	21,978	(2,577)	18,347
Total	65,288	68,381	(3,093)	62,080

(1) For companies consolidated on a proportionate basis, the headcount corresponds to Enel percentage share of the total.

8.d Depreciation, amortization and impairment losses - €6,355 million

Millions of euro

	2016	2015	Change	
Property, plant and equipment	4,171	4,190	(19)	-0.5%
Investment property	8	8	-	-
Intangible assets	711	689	22	3.2%
Impairment losses	1,726	2,978	(1,252)	-42.0%
Reversals of impairment losses	(261)	(253)	(8)	-3.2%
Total	6,355	7,612	(1,257)	-16.5%

“Depreciation, amortization and impairment losses” for 2016 decreased by €1,257 million due mainly to a reduction

in impairment losses recognized in 2016 as compared with the previous year, as detailed and described below.

Millions of euro

	2016	2015	Change	
Impairment losses:				
- property, plant and equipment	280	1,246	(966)	-77.5%
- investment property	6	5	1	20.0%
- intangible assets	241	68	173	-
- goodwill	31	13	18	-
- trade receivables	973	1,058	(85)	-8.0%
- assets classified as held for sale	74	574	(500)	-87.1%
- other assets	121	14	107	-
Total impairment losses	1,726	2,978	(1,252)	-42.0%
Reversals of impairment losses:				
- property, plant and equipment	(2)	(21)	19	-90.5%
- investment property	-	-	-	-
- intangible assets	(5)	-	(5)	-
- trade receivables	(250)	(230)	(20)	-8.7%
- assets classified as held for sale	-	-	-	-
- other assets	(4)	(2)	(2)	-
Total reversals of impairment losses	(261)	(253)	(8)	-3.2%

“Impairment losses” decreased by €1,252 million on the previous year.

Impairment losses on property, plant and equipment in 2016 mainly concerned adjustments to the value of a number of assets connected with the construction of hydroelectric plants on the Choshuencho and Neltume rivers in Chile for which there have been certain procedural difficulties (€33 million), as well as to: impairment testing of the CGUs of Enel Green Power Romania (€68 million) and Nuove Energie (for a total

of €92 million, €66 million of which on property, plant and equipment and €26 million on goodwill); impairment losses of €51 million on the assets of Marcinelle, a subsidiary that was sold in November 2016; impairment of €55 million on upstream gas exploration assets; impairment losses on land owned by the Spanish subsidiary operating in the distribution segment (€22 million); and other minor items related mainly to companies operating in the renewable energy segment. Impairment losses on property, plant and equipment in

2015, which were much higher than for the year under review, mainly regarded:

- > power plants in Russia in the amount of €899 million;
- > the property, plant and equipment of Enel Green Power Romania for €139 million and of 3Sun for €42 million;
- > a number of mineral exploration assets in Algeria (attributable to the upstream gas area) totaling €132 million.

Impairment losses on intangible assets came to €241 million in 2016 and mainly concerned adjustments to the value of rights to use the water of the Neltume river mentioned above (€240 million).

Impairment losses recognized on assets classified as held for sale in 2015, in the amount of €574 million, concerned the net assets of Slovenské elektrárne.

8.e Other operating expenses - €2,783 million

Millions of euro

	2016	2015	Change	
System charges - emissions allowances	557	340	217	63.8%
System charges - energy efficiency certificates	426	315	111	35.2%
System charges - green certificates	(19)	181	(200)	-
Losses on disposal of property, plant and equipment, and intangible assets	266	49	217	-
Taxes and duties	1,060	1,272	(212)	-16.7%
Other	493	497	(4)	-0.8%
Total	2,783	2,654	129	4.9%

Other operating expenses, totaling €2,783 million, increased by €129 million due essentially to the following:

- > the release of the nuclear fuel disposal provision in Slovakia in the 3rd Quarter of 2015 in the amount of €550 million, based on a study conducted by independent experts, following the new regulations introduced in July 2015 by the Slovak Government, which approved a new strategy for dealing with the “back end” of spent nuclear fuel;
- > losses in the amount of €196 million recognized in Latin America due to the waiving of water rights for six development projects in Chile and Peru following an analysis of their profitability and socio-economic impact. This concerned the Puelo, Futaleufú, Bardón, Chillán 1 and 2, and Huechún projects in Chile (€166 million) and the Curibamba and Marañón projects in Peru (€30 million);
- > a reduction in costs (€56 million) as the combined effect of provisions made in 2015 and their subsequent reversal in 2016 (€28 million) related to obligations for the construction and development of the hydroelectric plant in Girabolhos, Portugal;
- > the provision of €327 million recognized in 2015 for indemnities for the unilateral revocation, for former employees in Italy, of the electricity discount as from December 31, 2015, which was then reversed in 2016 in the amount

of €56 million for non-participation by the deadline of December 31, 2016;

- > the reversal of the provision for disputes allocated in relation to the SAPE dispute in the amount of €80 million following the arbitration award in 2016.

Net of these items, other operating expenses declined by €98 million due essentially to the following:

- > a decrease of €212 million in taxes and duties related essentially to:
 - a reduction of €76 million in power generation taxes in Spain under Law 15/2012 in correlation with a decline in quantities generated;
 - elimination of the nuclear power generation tax, which was deemed to be unconstitutional, in Catalonia, Spain, in the amount of €89 million;
 - the reduction in environmental taxes in a number of Italian regions due to lower local property taxes following certain regulatory changes in the taxation of industrial plants (about €60 million);
- > an increase in environmental compliance charges for a total of €129 million.

8.f Capitalized costs - €(1,669) million

Millions of euro

	2016	2015	Change	
Personnel	(730)	(746)	16	2.1%
Materials	(544)	(433)	(111)	-25.6%
Other	(395)	(360)	(35)	-9.7%
Total	(1,669)	(1,539)	(130)	-8.4%

Capitalized costs consist of €730 million in personnel costs, €544 million in materials costs, and €395 million in service costs (compared with €746 million, €433 million, and €360 million, respectively, in 2015).

9. Net income/(expense) from commodity contracts measured at fair value - €(133) million

Net expense from commodity contracts measured at fair value amounted to €133 million, the result of net unrealized income on open positions in derivatives at December 31, 2016, in the amount of €74 million (net expense of €304 million in 2014) and net realized expense on positions closed during the year of €207 million (net income of €472 million in 2015).

Millions of euro

	2016	2015	Change	
Income:				
- unrealized on positions open at the end of the period	2,568	2,832	(264)	-9.3%
- realized on positions closed during the period	7,815	6,702	1,113	16.6%
Total income	10,383	9,534	849	8.9%
Expense:				
- unrealized on positions open at the end of the period	(2,494)	(3,136)	642	-20.5%
- realized on positions closed during the period	(8,022)	(6,230)	(1,792)	-28.8%
Total expenses	(10,516)	(9,366)	(1,150)	-12.3%
NET INCOME/(EXPENSE) FROM COMMODITY CONTRACTS MEASURED AT FAIR VALUE	(133)	168	(301)	-

10. Net financial income/(expense) from derivatives - €(937) million

Millions of euro

	2016	2015	Change
Income:			
- income from cash flow hedge derivatives	475	1,507	(1,032) -68.5%
- income from derivatives at fair value through profit or loss	1,369	907	462 50.9%
- income from fair value hedge derivatives	40	41	(1) -2.4%
Total income	1,884	2,455	(571) -23.3%
Expense:			
- expense on cash flow hedge derivatives	(1,141)	(330)	(811) -
- expense on derivatives at fair value through profit or loss	(1,620)	(1,145)	(475) -41%
- expense on fair value hedge derivatives	(60)	(30)	(30) -
Total expenses	(2,821)	(1,505)	(1,316) -87.4%
TOTAL FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES	(937)	950	(1,887) -

Net expense from derivatives amounted to €937 million in 2016 (as compared with net income of €950 million in 2015), which can be broken down as follows:

- > net expense on cash flow hedge derivatives in the amount of €666 million (compared with net income of €1,177 million in 2015);
- > net expense on derivatives at fair value through profit or loss in the amount of €251 million (compared with €238 million in 2015);

- > net expense on fair value hedge derivatives in the amount of €20 million (compared with net income of €11 million in 2015).

For more information on derivatives, see note 44 "Derivatives and hedge accounting".

11. Other net financial income/(expense) - €(2,050) million

Other financial income

Millions of euro

	2016	2015	Change
Interest income from financial assets (current and non-current):			
- interest income at effective rate on non-current securities and receivables	45	85	(40) -47.1%
- interest income at effective rate on short-term financial investments	179	180	(1) -0.6%
Total interest income at the effective interest rate	224	265	(41) -15.5%
Financial income on non-current securities at fair value through profit or loss	-	5	(5) -
Exchange gains	1,776	882	894 -
Income on equity investments	9	11	(2) -18.2%
Other income	280	400	(120) -30.0%
TOTAL FINANCIAL INCOME	2,289	1,563	726 46.4%

“Other financial income,” in the amount of €2,289 million, increased by €726 million compared with the previous year due to:

- > an increase in exchange gains in the amount of €894 million, reflecting the impact, above all, of developments in exchange rates on net financial debt denominated in currencies other than the euro;
- > a decrease of €41 million in interest income at the effective interest rate related essentially to long-term financial receivables and a slight reduction in income on equity investments, which came to €9 million in 2016;

- > a decrease of €120 million in other income due essentially to the recognition in 2015 of income related to regulatory items on the electricity-distribution business in Argentina following the changes introduced by Resolutions 476/2015 and 1208/2015 concerning the CAMMESA remuneration mechanism (a total of €86 million) and interest recognized in 2015 on the refund of the “eco-tax” in the Extremadura region in Spain (€10 million).

Other financial expense

Millions of euro

	2016	2015	Change	
Interest expense on financial debt (current and non-current):				
- interest on bank borrowings	405	371	34	9.2%
- interest expense on bonds	2,135	2,314	(179)	-7.7%
- interest expense on other borrowings	138	143	(5)	-3.5%
Total interest expense	2,678	2,828	(150)	-5.3%
Expense on securities at fair value through profit or loss	1	-	1	-
Exchange losses	947	1,738	(791)	-45.5%
Accretion of post-employment and other employee benefits	79	101	(22)	-21.8%
Accretion of other provisions	286	210	76	36.2%
Charges on equity investments	-	3	(3)	-
Other charges	349	89	260	-
TOTAL FINANCIAL EXPENSE	4,339	4,969	(630)	-12.7%

“Other financial expense” amounted to €4,339 million, a total decrease of €630 million on 2015. The change reflects the following factors in particular:

- > a decrease of €179 million in interest expense on bonds attributable mainly to Enel SpA (€89 million) and Enel Finance International (€92 million);
- > a decrease of €791 million in exchange losses due to the performance of the euro against the other currencies in which bonds have been issued;
- > a decrease of €22 million in charges from accretion of post-employment and other employee benefits due essentially to the elimination of interest on the electricity discount (see note 34 for details);
- > an increase of €76 million in the accretion of other provisions, mainly related to *Resolución* ENRE 1/2016, which resulted in the accretion of a number of past fines being

- disputed in Argentina (€63 million) and an increase in interest expense on the early-retirement provision (€57 million). These factors were only partially offset by a reduction in charges for the decommissioning provision (€48 million) following the deconsolidation of Slovenské elektrárne (“SE”);
- > an increase of €260 million in other charges (€349 million in 2016 compared with €89 million in 2015), due essentially to the adjustment of the fair value of the financial receivable that arose from the sale of a 50% interest in Slovak Power Holding (a negative €220 million) in light of updates to a number of parameters used to determine the pricing formula, including the evolution of the net financial position of SE, the developments in energy prices in the Slovak market, the level of operating efficiency of SE measured on the basis of benchmarks defined by

contract, and the enterprise value of Mochovce units 3 and 4. It should also be noted that measurement of the equity investment takes account of the current best

estimate of these parameters, which depend, in part, on meeting the budget and on the time it takes to complete the Mochovce plant.

12. Share of income/(losses) of equity investments accounted for using the equity method - €(154) million

Millions of euro

	2016	2015	Change
Share of income of associates	115	152	(37) -24.3%
Share of losses of associates	(269)	(100)	(169) -
Total	(154)	52	(206) -

The share of income and losses of equity investments accounted for using the equity method decreased by €206 million compared with the previous year. This change was mainly due to the adjustment to the value of the 50% equity interest in Slovak Power Holding (€219 million) recognized following the aforementioned changes to the parameters used to determine the pricing formula, including the change in the net financial position for SE, the trend in energy

prices on the Slovak market, the levels of operating efficiency of SE measured based on benchmarks defined by contract, and the enterprise value of Mochovce units 3 and 4. It should also be noted that measurement of the equity investment takes account of the current best estimate of these parameters, which depend, in part, on meeting the budget and on the time it takes to complete the Mochovce plant.

13. Income taxes - €1,993 million

Millions of euro

	2016	2015	Change
Current taxes	1,695	2,061	(366) -17.8%
Adjustments for income taxes relating to prior years	1	(19)	20 -
Total current taxes	1,696	2,042	(346) -16.9%
Deferred tax liabilities	(312)	(125)	(187) -
Deferred tax assets	609	(8)	617 -
TOTAL	1,993	1,909	84 4.4%

Income taxes for 2016 amounted to €1,993 million, compared with €1,909 million in 2015.

The increase of €84 million in income taxes for 2016 compared with the previous year reflects both the increase in pre-tax income and the following factors:

- > the increase in taxes recognized in 2016 following an adjustment of €60 million in deferred tax liabilities due to the change to the income tax rate in Peru from a descending rate (27% for 2017 and 2018 and 26% thereafter) to a fixed rate of 29.5%;

- > the effect of the recognition in 2015 of a negative adjustment of net deferred tax assets in the amount of €197 million due to the effect of the Stability Act, which reduced the corporate income tax rate (IRES) in Italy from 27.5% to 24%;
- > the change in the contribution of operations subject to tax rates that varied from the theoretical rates (in 2016, the gains on Hydro Dolomiti Enel and GNL Quintero and the value adjustments to the assets related to Slovak Power Holding and, in 2015, the gain on the sale of SE Hydropower and the fair value measurement and negative goodwill of 3Sun).

Millions of euro

	2016	2015
Income before taxes	5,780	5,281
Theoretical taxes	1,590 27.5%	1,452 27.5%
Change in tax effect on impairment losses, capital gains and negative goodwill	118	(51)
Additional taxes for change in tax rate on temporary fiscal differences during the year	44	-
Impact on deferred taxation of changes in tax rates	55	197
IRAP	208	250
Other differences, effect of different foreign tax rates, and minor items	(22)	61
Total	1,993	1,909

14. Basic and diluted earnings per share

Both metrics are calculated on the basis of the average number of ordinary shares in the period, equal to 9,975,849,408 shares, adjusted for the diluting effect of outstanding stock options (none in both periods).

As a result of the change in the number of ordinary shares during 2016 due to the partial non-proportional demerger of Enel Green Power SpA to Enel SpA, which involved the issue of 763,322,151 new ordinary shares with a par value of €1 each

on March 31, 2016, the share capital of the Parent Company now consists of 10,166,679,946 ordinary shares with a par value of €1 each.

The number of shares used to calculate earnings per share therefore reflects the weighting of the number of shares outstanding by the corresponding fraction of the year in which they were in circulation.

	2016	2015	Change
Net income from continuing operations attributable to shareholders of the Parent Company (millions of euro)	2,570	2,196	374 17.0%
Net income from discontinued operations attributable to shareholders of the Parent Company (millions of euro)	-	-	-
Net income attributable to shareholders of the Parent Company (millions of euro)	2,570	2,196	374 17.0%
Average number of ordinary shares	9,975,849,408	9,403,357,795	572,491,613 6.1%
Dilutive effect of stock options	-	-	-
Basic and diluted earnings per share (euro)	0.26	0.23	0.03 13.0%
Basic and diluted earnings from continuing operations per share (euro)	0.26	0.23	0.03 13.0%
Basic and diluted earnings from discontinued operations per share (euro)	-	-	-

15. Property, plant and equipment - €76,265 million

The breakdown of and changes in property, plant and equipment for 2016 are shown below.

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment
Cost	663	8,788	147,014	400
Accumulated depreciation and impairment	-	4,959	85,910	323
Balance at Dec. 31, 2015	663	3,829	61,104	77
Capital expenditure	2	110	1,316	20
Assets entering service	(20)	412	4,709	5
Exchange rate differences	19	103	1,138	-
Change in the scope of consolidation	(5)	(186)	(1,426)	(1)
Disposals	(1)	(28)	(86)	(1)
Depreciation	-	(137)	(3,800)	(17)
Impairment losses	-	-	(121)	-
Reversals of impairment losses	-	-	2	-
Other changes	2	23	159	(4)
Reclassifications to/from assets held for sale	-	-	(4)	-
Total changes	(3)	297	1,887	2
Cost	660	9,224	152,781	414
Accumulated depreciation and impairment	-	5,098	89,790	335
Balance at Dec. 31, 2016	660	4,126	62,991	79

Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	Total
1,289	1,030	364	6,468	166,016
1,035	258	224	-	92,709
254	772	140	6,468	73,307
39	7	12	6,131	7,637
56	-	29	(5,191)	-
10	8	(2)	412	1,688
(4)	-	(1)	(577)	(2,200)
(2)	(2)	-	(81)	(201)
(75)	(45)	(42)	-	(4,116)
-	-	-	(159)	(280)
-	-	-	-	2
(8)	(10)	13	262	437
-	-	-	(5)	(9)
16	(42)	9	792	2,958
1,336	1,015	402	7,260	173,092
1,066	285	253	-	96,827
270	730	149	7,260	76,265

“Plant and machinery” includes assets to be relinquished free of charge with a net carrying amount of €9,459 million (€8,516 million at December 31, 2015), largely regarding power plants in the Iberian Peninsula and Latin America amounting to €5,280 million (€5,155 million at December 31, 2015) and the electricity distribution network in Latin America totaling €3,630 million (€2,998 million at December 31, 2015).

For more information on “leased assets,” see note 17 below.

The types of capital expenditure made during 2016 are summarized below. These expenditures, totaling €7,637 million, increased by €1,284 million from 2015, an increase that was particularly concentrated in wind and solar power plants.

Millions of euro

	2016	2015
Power plants:		
- thermal	694	757
- hydroelectric	551	807
- geothermal	265	197
- nuclear	115	128
- alternative energy sources	3,407	1,900
Total power plants	5,032	3,789
Electricity distribution networks	2,558	2,466
Land, buildings, and other assets and equipment	47	98
TOTAL	7,637	6,353

Capital expenditure on power plants amounted to €5,032 million, an increase of €1,243 million on the previous year, essentially reflecting increased investment in alternative-energy plants, mainly wind, in the amount of €2,207 million, and photovoltaic plants, in the amount of €1,185 million. In terms of geographical distribution, growth in capital expenditure was particularly significant in North America, Latin America and South Africa.

Expenditure on the electricity distribution network totaled €2,558 million and increased by €92 million from the previous year. The rise is essentially attributable to the efforts to increase and maintain service-quality levels in Italy.

The “change in the scope of consolidation” for 2016 is mainly related to the sales in the United States in December as a result of joint-venture agreements with General Electric (EGPNA Renewable Energy Partners, Cimarron, and Lindahl).

“Impairment losses” on property, plant and equipment amounted to €280 million. For a more detailed analysis, see note 8.d.

In addition to the impairment of the Enel Green Power Romania and Nuove Energie CGUs noted elsewhere, at December 31, 2016, testing was conducted of the reco-

verability of the value of the assets of a number of other CGUs (Enel Russia, Enel Green Power Hellas and Enel Produzione) that showed evidence of impairment, following which it was determined that the values were essentially recoverable. The underlying assumptions used to perform this testing are summarized in the detailed table reported in note 20 below.

In order to verify the robustness of the value in use identified for those CGUs, sensitivity analyses were conducted for the main value drivers, and in particular WACC, the long-term growth rate and EBITDA, assuming individual changes in each assumption of up to 5% of the value used in the tests. Within those ranges of variation, it was found that:

- > for the Enel Produzione CGU, the main value drivers were broadly in line with those for breakeven;
- > for the Enel Russia CGU, achieving the breakeven level of the main value drivers is expected with an increase of 1.5% in the pre-tax WACC, a reduction of 1.2% in the growth rate and a contraction of 0.9% in EBITDA.

“Other changes” include, among other items, the effect of the capitalization of interest on specific loans for capital expenditure in the amount of €201 million (€208 million in 2015), as detailed in the following table.

Millions of euro

	2016	Rate (%)	2015	Rate (%)	Change	
Enel Green Power Group	146	5.2%	80	5.2%	66	45.2%
Enel Américas Group	28	18.1%	104	23.7%	(76)	-
Enel Chile Group	4	9.0%	-	-	4	-
Endesa Group	8	2.6%	7	2.7%	1	12.5%
Enel Produzione	13	4.8%	15	4.7%	(2)	-15.4%
Enel Trade	2	0.4%	2	0.4%	-	-
Total	201⁽¹⁾		208⁽²⁾		(7)	-3.5%

(1) The figure does not include €46 million for the period in which Slovenské elektrárne was reclassified as held for sale.

(2) The figure does not include €51 million regarding units classified as held for sale.

At December 31, 2016, contractual commitments to purchase property, plant and equipment amounted to €537 million.

16. Infrastructure within the scope of “IFRIC 12 - Service concession arrangements”

Service concession arrangements, which are recognized in accordance with IFRIC 12, regard certain infrastructure serving concessions for electricity distribution in Brazil.

The following table summarizes the salient details of those concessions.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	Amount recognized among financial assets at Dec. 31, 2016	Amount recognized among intangible assets at Dec. 31, 2016
Ampla Energia e Serviços	Brazilian Government	Electricity distribution	Brazil	1997-2026	10 years	Yes	654	1.079
Companhia Energética do Ceará	Brazilian Government	Electricity distribution	Brazil	1998-2028	11 years	Yes	322	876
Enel Green Power Mourão	Brazilian Government	Power generation	Brazil	2016-2046	29 years	No	8	-
Enel Green Power Paranapanema	Brazilian Government	Power generation	Brazil	2016-2046	29 years	No	38	-
Total							1,022	1,955

The value of the assets at the end of the concessions classified under financial assets has been measured at fair value.

For more information, see note 45 “Assets measured at fair value”.

17. Leases

The Group, in the role of lessee, has entered into finance lease agreements. They include certain assets which the Group is using in Spain, Peru, Italy and Greece. In Spain, the assets relate to a 25-year tolling agreement (19 years remaining) for which an analysis pursuant to IFRIC 4 identified an embedded finance lease, under which Endesa has access to the generation capacity of a combined-cycle plant for which the toller, Elecgas, has undertaken to transform gas into electricity in exchange for a toll at a rate of 9.62%.

In Peru, leases concern agreements related to financing for the Ventanilla combined-cycle plant (with an average term of

eight years remunerated at an annual rate of Libor + 1.75%) as at December 31, 2016, as well as an agreement that financed construction of a new open-cycle system at the Santa Rosa plant (with a term of nine years and annual interest of Libor + 1.75%).

The other lease agreements regard wind plants that the Group uses in Italy (expiring in 2030-2031 and with a discount rate of between 4.95% and 5.5%).

The carrying amount of assets held under finance leases is reported in the following table.

Millions of euro

	2016	2015	Change
Property, plant and equipment	730	772	(42)
Intangible assets	-	-	-
Total	730	772	(42)

The following table reconciles total future minimum lease payments and the present value, broken down by maturity.

Millions of euro	Future minimum payments	Present value of future minimum payments	Future minimum payments	Present value of future minimum payments
	at Dec. 31, 2016		at Dec. 31, 2015	
Periods:				
2017	108	75	97	58
2018-2021	338	217	322	199
Beyond 2021	625	453	696	498
Total	1,071	745	1,115	755
Finance charges	(326)		(360)	
Present value of minimum lease payments	745		755	

The Group, in the role of lessee, has entered also into operating lease agreements regarding the use of certain assets for industrial purposes. The associated lease payments are expensed under "Services and other materials".

Costs for operating leases are broken down in the following table into minimum payments, contingent rents and sublease payments.

Millions of euro

	2016
Minimum lease payments	2,071
Contingent rents	-
Sublease payments	-
Total	2,071

The future minimum lease payments due by the Group under such leases break down by maturity as follows.

Millions of euro

	2016
Periods:	
within 1 year	205
beyond 1 year and within 5 years	787
beyond 5 years	1,079
Total	2,071

18. Investment property - €124 million

Investment property at December 31, 2016, amounted to €124 million, essentially in line with the previous year.

Millions of euro

	2016
Cost	187
Accumulated depreciation and impairment	43
Balance at Dec. 31, 2015	144
Assets entering service	-
Exchange rate differences	1
Depreciation	(8)
Impairment losses	(6)
Other changes	(7)
Total changes	(20)
Cost	167
Accumulated depreciation and impairment	43
Balance at Dec. 31, 2016	124

The Group's investment property consists of properties in Italy, Spain and Chile, which are free of restrictions on the realizability of the investment property or the remittance of income and proceeds of disposal. In addition, the Group has no contractual obligations to purchase, construct or develop

investment property or for repairs, maintenance or enhancements.

For more details on the valuation of investment property, see notes 45 "Assets measured at fair value" and 45.1 "Fair value of other assets".

19. Intangible assets - €15,929 million

A breakdown of and changes in intangible assets for 2016 are shown below.

Millions of euro	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Service concession arrangements	Other	Assets under development and advances	Total
Cost	28	2,999	13,394	2,972	1,642	574	21,609
Accumulated amortization and impairment	18	2,418	1,252	1,470	1,216	-	6,374
Balance at Dec. 31, 2015	10	581	12,142	1,502	426	574	15,235
Investments	4	138	29	361	11	372	915
Assets entering service	-	222	-	-	32	(254)	-
Exchange differences	1	4	624	394	7	16	1,046
Change in the scope of consolidation	-	(7)	(17)	-	(43)	(1)	(68)
Disposals	(13)	-	(123)	(36)	(9)	-	(181)
Amortization	(1)	(278)	(158)	(165)	(114)	-	(716)
Impairment losses	-	-	(241)	-	-	-	(241)
Reversals of impairment losses	-	-	5	-	-	-	5
Other changes	(1)	(33)	16	(101)	63	5	(51)
Reclassifications to assets held for sale	-	-	(14)	-	-	(1)	(15)
Total changes	(10)	46	121	453	(53)	137	694
Cost	19	3,213	13,910	3,946	1,632	711	23,431
Accumulated amortization and impairment	19	2,586	1,647	1,991	1,259	-	7,502
Balance at Dec. 31, 2016	-	627	12,263	1,955	373	711	15,929

“Industrial patents and intellectual property rights” relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of Internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the asset’s residual useful life (on average between three and five years).

“Concessions, licenses, trademarks and similar rights” in-

clude the costs incurred for the acquisition of customers by the foreign electricity distribution and gas sales companies. Amortization is calculated on a straight-line basis over the term of the average period of the relationship with customers or of the concessions.

The following table reports service concession arrangements that do not fall within the scope of IFRIC 12.

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	at Dec. 31, 2016	Initial fair value
Endesa Distribución Eléctrica	-	Electricity distribution	Spain	Indefinite	Indefinite	-	5,679	5,673
Codensa	Republic of Colombia	Electricity distribution	Colombia	Indefinite	Indefinite	-	1,710	1,839
Enel Distribución Chile (formerly Chilectra)	Republic of Chile	Electricity distribution	Chile	Indefinite	Indefinite	-	1,716	1,667
Enel Distribución Perú (formerly Empresa de Distribución Eléctrica de Lima Norte)	Republic of Peru	Electricity distribution	Peru	Indefinite	Indefinite	-	671	548
Enel Distribuție Muntenia	Romanian Ministry for the Economy	Electricity distribution	Romania	2005-2054	37 years	Yes	150	191

The item includes assets with an indefinite useful life in the amount of €9,776 million (€9,454 million at December 31, 2015), essentially accounted for by concessions for distribution activities in Spain (€5,679 million), Colombia (€1,710 million), Chile (€1,716 million), and Peru (€671 million), for which there is no statutory or currently predictable expiration date. On the basis of the forecasts developed, cash flows for each CGU, with which the various concessions are associated, are sufficient to recover the carrying amount. The change during the year is essentially attributable to changes in exchange rates. For more information on service concession arrangements, please see note 24.

The “change in the scope of consolidation” for 2016 is mainly related to the sales in the United States in December as a result of joint-venture agreements with General Electric (EGPNA Renewable Energy Partners, Cimarron, and Lindahl).

“Impairment losses” amounted to €241 million in 2016. For more information, see note 8.d.

At December 31, 2016, contractual commitments for the acquisition of intangible assets amounted to €20 million.

20. Goodwill - €13,556 million

Goodwill amounted to €13,556 million, a decrease of €268 million for the year.

Millions of euro	at Dec. 31, 2015			Change in scope of cons.
	Cost	Cumulative impairment	Net carrying amount	
Endesa ⁽¹⁾	10,999	(2,392)	8,607	157
Latin America	3,285	-	3,285	-
Enel Green Power Group ⁽²⁾	798	(132)	666	(157)
Enel Energia	579	-	579	-
Enel Distributie Muntenia	548	-	548	-
Enel Energie Muntenia	113	-	113	-
Nuove Energie	26	-	26	-
Total	16,348	(2,524)	13,824	-

(1) Includes Enel Green Power España.

(2) Includes Enel Green Power Latin America, Enel Green Power North America, Enel Green Power Hellas, Enel Green Power Romania, Enel Green Power Bulgaria, Enel Green Power Italia.

The “change in the scope of consolidation” mainly refers to the sale of the equity investment in Enel Green Power España to Endesa.

The “other changes” mainly refer to the reduction of goodwill for the two Romanian companies, Enel Distributie Muntenia and Enel Energie Muntenia, as a result of:

- > an adjustment to the value of debt related to the put option on 13.6% based on the international arbitration ruling with SAPE, which was concluded in February 2017;
- > a 10% reduction in the Group’s interest following the cessation of the tag-along rights of former employees tied to the put option supported by further analyses by outside legal counsel.

It should be noted that the transaction has been recognized in compliance with paragraphs 65A to 65E of IFRS 3, which make reference to the previous version of IFRS 3 for option rights granted when said version was applicable. This standard provided the option of recognizing changes in debt for

put options as an entry to goodwill in the event the option right had been granted in conjunction with a business combination and classified, for accounting purposes, as contingent consideration.

The criteria used to identify the cash generating units (CGUs) were essentially based – in line with management’s strategic and operational vision – on the specific characteristics of their business, on the operational rules and regulations of the markets in which Enel operates and on the corporate organization, as well as on the level of reporting monitored by management. The recoverable value of the goodwill recognized was estimated by calculating the value in use of the CGUs using discounted cash flow models, which involve estimating expected future cash flows and applying an appropriate discount rate, selected on the basis of market inputs such as risk-free rates, betas and market-risk premiums.

Cash flows were determined on the basis of the best information available at the time of the estimate and drawn:

Exchange rate diff.	Impairment losses	Other changes	at Dec. 31, 2016		
			Cost	Cumulative impairment	Net carrying amount
-	-	-	11,157	(2,393)	8,764
-	-	-	3,285	-	3,285
16	(5)	(16)	641	(137)	504
-	-	-	579	-	579
-	-	(187)	361	-	361
-	-	(50)	63	-	63
-	(26)	-	26	(26)	-
16	(31)	(253)	16,112	(2,556)	13,556

- > for the explicit period, from the 5-year Business Plan approved by the Board of Directors of the Parent Company containing forecasts for volumes, revenue, operating costs, capital expenditure, industrial and commercial organization, and developments in the main macroeconomic variables (inflation, nominal interest rates and exchange rates) and commodity prices. The explicit period of cash flows considered in impairment testing differs in accordance with the specific features and business cycles of the various CGUs being tested. These differences are generally associated with the different average times needed to build and bring into service the plant and other works that characterize the investments of the specific businesses that make up the CGU (conventional thermal generation, nuclear power, renewables, distribution, etc.);
- > for subsequent years, from assumptions concerning long-term developments in the main variables that determine cash flows, the average residual useful life of assets or the duration of the concessions.

More specifically, the terminal value was calculated as a perpetuity or annuity with a nominal growth rate equal to the long-term rate of growth in electricity and/or inflation (depending on the country and business involved) and in any case no higher than the average long-term growth rate of the reference market. The value in use calculated as described above was found to be greater than the amount recognized on the balance sheet, with the exceptions discussed below. In order to verify the robustness of the value in use of the CGUs, sensitivity analyses were conducted for the main drivers of the values, in particular WACC, the long-term growth rate and margins, the outcomes of which fully supported that value.

The table below reports the results of the sensitivity analysis for the CGUs with goodwill and without goodwill recognized, at the close of the period, along with the discount rates

applied and the time horizon over which the expected cash flows have been discounted.

Millions of euro	Amount	Growth rate ⁽¹⁾	Pre-tax WACC discount rate ⁽²⁾	Explicit period of cash flows	Terminal value ⁽³⁾
at Dec. 31, 2016					
CGUs with goodwill					
Endesa - Iberian Peninsula	8,607	1.40%	7.78%	5 years	Perpetuity
Endesa - Latin America ⁽⁴⁾	3,285	2.71%	8.83%	5 years	Perpetuity
Enel Romania ⁽⁵⁾	424	2.00%	7.24%	5 years	Perpetuity
Enel Energia	579	0.23%	12.16%	5 years	15 years
Enel Green Power España	157	1.60%	7.99%	5 years	13 years
Enel Green Power Latin America	360	3.27%	8.72%	5 years	21 years
Enel Green Power North America	121	2.20%	6.03%	5 years	21 years
Nuove Energie	-	-	10.06%	29 years	-
Enel Green Power Italia	23	1.50%	8.49%	5 years	Perpetuity/16 years ⁽⁶⁾
Enel Green Power Bulgaria	-	-	7.51%	5 years	13 years
CGUs without goodwill but tested for impairment in the presence of the indicators provided for in IAS 36					
Enel Russia	-	2.93%	14.86%	5 years	Perpetuity
Enel Produzione	-	0.65%	9.65%	5 years	Perpetuity
Enel Green Power Romania	-	2.00%	7.26%	5 years	15 years
Enel Green Power Hellas	-	-	13.83%	5 years	16 years

(1) Perpetual growth rate for cash flows after the explicit forecast period.

(2) Pre-tax WACC calculated using the iterative method: the discount rate that ensures that the value in use calculated with pre-tax cash flows is equal to that calculated with post-tax cash flows discounted with the post-tax WACC.

(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.

(4) Goodwill includes the goodwill pertaining to Enel Green Power España.

(5) Includes all companies operating in Romania.

(6) The terminal value for Enel Green Power Italia was estimated on the basis of a perpetuity for the hydroelectric and geothermal plants and an expected annuity with a rising yield for a period of 16 years for other renewables technologies (wind, solar, biomass). It was 17 years at December 31, 2016.

At December 31, 2016, impairment testing for the CGUs that had goodwill pointed to an impairment loss of €26 million on the Nuove Energie CGU and a €5 million impairment loss on the Enel Green Power Bulgaria CGU.

At December 31, 2015, impairment testing of the CGUs to which goodwill had been allocated found an impairment loss of €155 million on the Enel Green Power Romania CGU, of which €13 million attributed to goodwill, while the remainder was allocated among the generation assets.

Amount	Growth rate ⁽¹⁾	Pre-tax WACC discount rate ⁽²⁾	Explicit period of cash flows	Terminal value ⁽³⁾
at Dec. 31, 2015				
8,607	1.77%	7.90%	5 years	Perpetuity
3,285	3.12%	8.42%	5 years	Perpetuity
660	2.30%	7.65%	5 years	Perpetuity
579	0.16%	11.92%	5 years	15 years
157	2.00%	7.63%	5 years	12 years
350	3.34%	8.16%	5 years	21 years
131	2.20%	9.27%	5 years	19 years
26	0.20%	9.94%	9 years	16 years
23	2.00%	8.50%	5 years	Perpetuity/17 years ⁽⁶⁾
5	2.20%	8.09%	5 years	14 years
-	4.00%	15.31%	5 years	Perpetuity
-	0.82%	9.06%	5 years	Perpetuity
-	2.30%	8.08%	5 years	16 years
-	-	13.61%	5 years	21 years

21. Deferred tax assets and liabilities - €6,665 million and €8,768 million

The following table details changes in deferred tax assets and liabilities by type of timing difference and calculated based on the tax rates established by applicable regulations.

The table also reports the amount of deferred tax assets that, where allowed, can be offset against deferred tax liabilities.

Millions of euro		Increase/(Decrease) taken to income statement	Increase/(Decrease) taken to equity
at Dec. 31, 2015			
Deferred tax assets:			
- differences in the value of property, plant and equipment and intangible assets	1,998	(294)	-
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	1,456	(57)	14
- tax loss carried forward	145	17	-
- measurement of financial instruments	824	(25)	(80)
- employee benefits	620	(61)	63
- other items	2,343	(212)	(34)
Total	7,386	(632)	(37)
Deferred tax liabilities:			
- differences on non-current and financial assets	6,606	(300)	(2)
- measurement of financial instruments	433	(15)	(29)
- other items	1,938	(15)	(29)
Total	8,977	(330)	(60)
Non-offsettable deferred tax assets			
Non-offsettable deferred tax liabilities			
Excess net deferred tax liabilities after any offsetting			

At December 31, 2016, "deferred tax assets," recognized when there is a reasonable certainty of their recoverability, totaled €6,665 million (€7,386 million at December 31, 2015). The change during the year amounted to €721 million, mainly reflecting the tax effect of income components not recognized for tax purposes, particularly related to derivative instruments and provisions for risks.

It should also be noted that no deferred tax assets were recorded in relation to prior tax losses in the amount of €1,185 million because, on the basis of current estimates of future taxable income, it is not certain that such assets will be recovered.

"Deferred tax liabilities" amounted to €8,768 million at December 31, 2016 (€8,977 million at December 31, 2015).

They essentially include the determination of the tax effects of the value adjustments to assets acquired as part of the final allocation of the cost of acquisitions made in the various years and the deferred taxation in respect of the differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful lives of assets.

The change for the year, in the amount of €209 million, includes the adjustment (of €60 million) to deferred taxes recognized following the change to the income tax rate in Peru from a descending rate (27% for 2017 and 2018 and 26% thereafter) to a fixed rate of 29.5%.

Change in the scope of consolidation	Other changes	Exchange rate differences	Reclassifications of assets held for sale	
at Dec. 31, 2016				
(18)	106	11	(7)	1,796
7	60	41	-	1,521
(2)	(82)	4	(1)	81
-	(2)	2	3	722
1	-	14	-	637
-	(207)	17	1	1,908
(12)	(125)	89	(4)	6,665
(25)	(147)	310	9	6,451
-	(5)	1	-	385
1	19	18	-	1,932
(24)	(133)	329	9	8,768
				3,426
				3,741
				1,788

22. Equity investments accounted for using the equity method - €1,558 million

Investments in joint arrangements and associated companies accounted for using the equity method are as follows.

Millions of euro		% held	Income effect	Change in scope of consol.
	at Dec. 31, 2015			
Joint arrangements				
EGPNA Renewable Energy Partners	-	-	4	401
OpEn Fiber	-	-	-	355
Slovak Power Holding	-	-	(219)	375
Enel F2i Solare Italia (formerly Ultor)	110	50.0%	2	52
Tejo Energia Produção e Distribuição de Energia Eléctrica	63	38.9%	10	-
RusEnergosbyt	32	49.5%	34	-
Energie Electrique de Tahaddart	30	32.0%	6	-
Drift Sand Wind Project LLC	-	-	-	20
Empresa de Energía de Cundinamarca	29	40.4%	1	(30)
Electrogas	16	42.5%	6	-
Transmisora Eléctrica de Quillota	10	50.0%	2	-
Centrales Hidroeléctricas de Aysén	8	51.0%	(2)	-
PowerCrop	4	50.0%	(2)	-
Associates				
Elica 2	50	30.0%	-	-
CESI	39	42.7%	4	-
Tecnatom	33	45.0%	1	-
GNL Quintero	22	20.0%	4	(6)
Suministradora Eléctrica de Cádiz	17	33.5%	3	-
Terrae	12	20.0%	-	(12)
Compañía Eólica Tierras Altas	14	35.6%	(1)	-
Other	118	-	(7)	-
Total	607	-	(154)	1,155

Changes in the scope of consolidation resulted in an increase of €1,155 million attributable essentially to the following:

- > the remaining 50% interest in Slovak Power Holding, the company which holds the 66% interest in Slovenské elektrárne and 50% of which was then sold at the end of July 2016;
- > the 50% interest in OpEn Fiber (formerly Enel OpEn Fiber) that remained after the sale of a 50% interest to F2i at the end of December 2016;
- > the 50% interest in Enel Green Power North America Renewable Energy Partners (EGPNA REP), the special-purpose vehicle that received (and will receive in the future) the plants operating in the United States for which a partnership agreement was reached with General Electric.

These effects were only partially offset by the change to line-by-line consolidation concerning the assets of Empresa de Energía de Cundinamarca following this company's merger into Codensa.

Income effects mainly concern the €219 million charge related to the impairment loss on the joint venture Slovak Power Holding.

With regard to the latter, given the agreement between Enel Produzione and EP Slovakia that establishes mutual rights and obligations for the sale (by Enel Produzione) and purchase (by EP Slovakia) of the remaining 50% interest held in Slovak Power Holding following certain future events related to completion of Mochovce units 3 and 4 of

Dividends	Other changes	at Dec. 31, 2016		% held
-	15	420	50.0%	
-	-	355	50.0%	
-	-	156	50.0%	
-	-	164	50.0%	
(9)	7	71	43.8%	
-	5	71	49.5%	
(5)	-	31	32.0%	
-	(3)	17	35.0%	
-	-	-	-	
(5)	-	17	42.5%	
-	-	12	50.0%	
-	3	9	51.0%	
-	-	2	50.0%	
-	(5)	45	30.0%	
(1)	-	42	42.7%	
-	-	34	45.0%	
(1)	(19)	-	-	
(3)	-	17	33.5%	
-	-	-	-	
-	-	13	35.6%	
(10)	(19)	82	-	
(34)	(16)	1,558	-	

the subsidiary Slovenské elektrárne ("SE"), any impairment loss is measured by determining the recoverable value of the investment by applying the pricing formula defined in the agreement for the sale of the 66% interest in SE, which is based on a variety of parameters, including the evolution of SE net financial position, developments in energy prices in the Slovak market, the level of operating efficiency of SE based on benchmarks established in the agreement, and the enterprise value of Mochovce units 3 and 4.

It should also be noted that application of the equity method to the investments in RusEnergySbyt and PowerCrop incorporates implicit goodwill of €27 million and €9 million, respectively.

The following table provides a summary of financial information for each joint arrangement and associate of the Group not classified as held for sale in accordance with IFRS 5.

Millions of euro	Non-current assets		Current assets		Total assets	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Joint arrangements						
Centrales Hidroeléctricas de Aysén	22	20	1	1	23	21
OpEn Fiber	769	-	240	-	1,009	-
Enel F2i Solare Italia (formerly Ultor)	279	289	70	39	349	328
RusEnergSbyt	6	4	213	108	219	112
Tejo Energia Produção e Distribuição de Energia Eléctrica	277	326	134	140	411	466
Energie Electrique de Tahaddart	111	120	32	32	143	152
PowerCrop	40	41	41	16	81	57
Associates						
Tecnatom	77	77	58	69	135	146
Suministradora Eléctrica de Cádiz	74	76	18	16	92	92
Compañía Eólica Tierras Altas	35	40	2	4	37	44

Non-current liabilities		Current liabilities		Total liabilities		Equity	
at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
-	-	5	4	5	5	18	16
-	-	299	-	299	-	710	-
139	147	4	6	143	153	206	175
-	-	129	104	129	104	90	8
163	214	84	90	247	304	164	162
9	26	36	33	45	59	98	93
1	1	61	33	62	34	19	23
31	28	26	46	57	74	78	72
23	24	17	17	40	41	52	51
1	2	2	4	3	6	34	38

Millions of euro	Total revenue		Income before taxes		Net income from continuing operations	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Joint arrangements						
Centrales Hidroeléctricas de Aysén	-	-	(6)	(7)	(6)	(7)
OpEn Fiber	15	-	(11)	-	(9)	-
Enel F2i Solare Italia (formerly Ultor)	26	10	5	2	5	2
RusEnergSbyt	1,991	2,019	86	94	69	76
Tejo Energia Produção e Distribuição de Energia Eléctrica	207	221	31	29	22	21
Energie Electrique de Tahaddart	56	55	28	26	19	18
PowerCrop	-	2	(4)	(2)	(4)	(2)
Associates						
Tecnatom	88	5	1	5	1	5
Suministradora Eléctrica de Cádiz	15	15	8	8	8	8
Compañía Eólica Tierras Altas	8	11	(2)	3	(1)	3

23. Derivatives

Millions of euro	Non-current		Current	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Derivative financial assets	1,609	2,343	3,945	5,073
Derivative financial liabilities	2,532	1,518	3,322	5,509

For more information on derivatives classified as non-current financial assets, please see note 44 for hedging derivatives and trading derivatives.

24. Other non-current financial assets - €3,892 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Equity investments in other companies measured at fair value	146	181	(35)	-19.3%
Equity investments in other companies	50	56	(6)	-10.7%
Receivables and securities included in net financial debt (see note 24.1)	2,621	2,335	286	12.2%
Service concession arrangements	1,022	631	391	62.0%
Non-current prepaid financial expense	53	71	(18)	-25.4%
Total	3,892	3,274	618	18.9%

“Other non-current financial assets” increased by €618 million in 2016 as compared with the previous year. In particular, the increase reflected an increase of receivables included in net financial debt, as discussed in note 24.1, and service concession arrangements in Brazil.

“Equity investments in other companies” include investments for which the market value is not readily measu-

able; therefore, in the absence of expected sales of these investments, they have been measured at purchase cost and adjusted for any impairment.

Equity investments in other companies measured at fair value and at cost break down as follows.

Millions of euro	% held		% held		
	at Dec. 31, 2016		at Dec. 31, 2015		Change
Bayan Resources	139	10.0%	175	10.0%	(36)
Echelon	1	7.1%	2	7.1%	(1)
Galsi	17	17.6%	17	17.6%	-
Other	39		43		(4)
Total	196		237		(41)

The change on the previous year essentially reflects the increase in the fair value of Bayan Resources, an Indonesian company listed on the local stock exchange that operates in the coal extraction industry, as based on market prices for its stock.

“Service concession arrangements” concern amounts paid to the licensing authorities for the construction and/or improvement of public-service infrastructures involved in concession arrangements, which have been recognized in accordance with IFRIC 12.

24.1 Other non-current financial assets included in net financial debt

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Securities held to maturity	-	117	(117)	-
Financial investments in funds or portfolio management products at fair value through profit or loss	-	45	(45)	-
Securities available for sale	440	-	440	-
Financial receivables in respect of Spanish electrical system deficit	15	2	13	-
Other financial receivables	2,166	2,171	(5)	-0.2%
Total	2,621	2,335	286	12.2%

Securities held to maturity and available for sale, as well as financial investments in funds or portfolio management products, represent the financial instruments in which the Dutch insurance companies invest a portion of their liquidity. During the year, following a new assessment of an investment strategy for those companies involving more active management of the portfolio, the corresponding financial assets were reclassified from "held to maturity" to "available for sale" and measured using the measurement criteria provided for that category. In addition, in view of this choice the Group will apply the tainting rule under IAS 39, i.e. it will not classify financial assets as "held to maturity" for the next two financial years.

"Other financial receivables" decreased by €5 million in 2016 compared with the previous year. The change mainly reflects the following factors:

- > an increase of €168 million in the financial receivables from EGPNA REP Wind Holdings related to the financing for development of the new wind farms by the joint venture;
- > an increase of €5 million in relation to the receivable resulting from the sale of the 50% interest in Slovak Power Holding. This receivable has been measured at fair value, which was determined based on the pricing formula con-

tained in the agreements with EPH and which takes account of a number of parameters, including the evolution of Slovenské elektrárne net financial position, trends in energy prices on the Slovak market, the levels of operating efficiency of Slovenské elektrárne based on benchmarks established in the agreement, and the enterprise value of Mochovce units 3 and 4;

- > a decrease of €87 million in the receivable for CO₂ emissions allowances connected with "new entrant" plants;
- > the reclassification to short term of €46 million of the receivable in respect of the Energy & Environmental Services Fund (formerly the Electricity Equalization Fund), the balance of which was €340 million as at December 31, 2016 (compared with €386 million at December 31, 2015), concerning the reimbursement of costs incurred with the early replacement of electromechanical meters;
- > the reclassification to short term of €56 million of the receivable in respect of the reimbursement, provided for by the Authority for Electricity, Gas and the Water System in Italy with Resolution 157/2012, of costs incurred with the termination of the Electrical Worker Pension Fund in the total amount of €280 million at December 31, 2016 (€336 million at December 31, 2015).

25. Other non-current assets - €706 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Receivables from institutional market operators	106	67	39	58.2%
Other receivables	600	810	(210)	-25.9%
Total	706	877	(171)	-19.5%

At December 31, 2016, "other receivables" mainly regarded tax receivables in the amount of €301 million (€463 million at December 31, 2015), security deposits in the amount of €157 million (€16 million at the end of 2015), advances to suppliers in the amount of €1 million (€141 million at December 31, 2015), and non-monetary grants to be received in respect of green certificates totaling €51 million

(€78 million at December 31, 2015).

The decrease for the year was mainly due to the reimbursement, to Enel SpA, of the receivable (in the amount of €229 million, including both principal and interest) related to the years 2004-2010 from the Italian Revenue Agency for excess income taxes paid due to not deducting a portion of IRAP when calculating corporate income tax rate (IRES).

26. Inventories - €2,564 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Raw materials, consumables and supplies:				
- fuel	1,119	1,212	(93)	-7.7%
- materials, equipment and other inventories	812	819	(7)	-0.9%
Total	1,931	2,031	(100)	-4.9%
Environmental certificates:				
- CO ₂ emissions allowances	412	680	(268)	-39.4%
- green certificates	7	78	(71)	-91.0%
- white certificates	-	1	(1)	
Total	419	759	(340)	-44.8%
Buildings available for sale	65	68	(3)	-4.4%
Payments on account	149	46	103	-
TOTAL	2,564	2,904	(340)	-11.7%

Raw materials, consumables and supplies, in the amount of €1,931 million at December 31, 2016 (€2,031 million in 2015), consist of fuel inventories to cover the requirements of the generation companies and trading activities, as well as materials and equipment for the operation, maintenance and construction of plants and distribution networks.

The decrease for the year (€340 million) is mainly attributable to the decline in stocks of gas and other fuels, following a decline in average prices, and in stocks of green certificates. The buildings available for sale are related to remaining units from the Group's real estate portfolio and are primarily civil buildings.

27. Trade receivables - €13,506 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Customers:				
- sale and transport of electricity	10,488	9,603	885	9.2 %
- distribution and sale of natural gas	1,645	1,755	(110)	-6.3 %
- other activities	1,258	1,396	(138)	-9.9 %
Total customer receivables	13,391	12,754	637	5.0 %
Trade receivables due from associates and joint arrangements	115	43	72	-
Total	13,506	12,797	709	5.5 %

Trade receivables from customers are recognized net of allowances for doubtful accounts, which totaled €2,027 million at the end of the year, as compared with an opening

balance of €2,085 million. More specifically, the increase for the period mainly reflects an increase in revenue from the sale and transport of electricity following the change in

payment terms applied to invoices for the electricity transport service, which went into effect on January 1, 2016, in accordance with Resolution 268/2015 of the Authority for Electricity, Gas and the Water System (the Grid Code).

The decrease in other activities reflects an increase in collections in 2016 in respect of fuel sales.

For more details on trade receivables, see note 41 "Financial instruments".

28. Other current financial assets - €3,053 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Other current financial assets included in net debt	2,924	2,241	683	30.5%
Other	129	140	(11)	-7.9%
Total	3,053	2,381	672	28.2%

28.1 Other current financial assets included in net financial debt - €2,924 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Short-term portion of long-term financial receivables	767	769	(2)	-0.3%
Receivables for factoring	128	147	(19)	-12.9%
Securities measured at FVTPL	1	-	1	-
Securities held to maturity	-	1	(1)	-
Securities available for sale	35	-	35	-
Financial receivables and cash collateral	1,082	1,020	62	6.1%
Other	911	304	607	-
Total	2,924	2,241	683	30.5%

"Other current financial assets included in net financial debt" totaled €2,924 million (€2,241 million at December 31, 2015). The change in this aggregate was mainly due to an increase in the financial receivables recognized by Enel Green Power North America on the transfer of the tax benefits

received in the United States for the production of renewable energy (specifically concerning the wind-farm projects Lindahl, in the amount of €174 million, and Cimarron Bend II, in the amount of €258 million).

29. Other current assets - €3,044 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Receivables from institutional market operators	1,025	765	260	34.0%
Advances to suppliers	188	219	(31)	-14.2%
Receivables due from employees	37	26	11	42.3%
Receivables due from others	913	960	(47)	-4.9%
Sundry tax receivables	664		(42)	-5.9%
Accrued operating income and prepaid expenses	146	706	(28)	-16.1%
Revenue for construction contracts	71	48	23	47.9%
Total	3,044	2,898	146	5.0%

"Receivables from institutional market operators" include receivables in respect of the Italian system in the amount of €862 million (€664 million at December 31, 2015) and the Spanish system in the amount of €147 million (€101 million at December 31, 2015). The increase for the period was mainly due to the increase in receivables from GSE (Energy Services Operator) for green certificates (€80 million) and the verification of equalization of energy purchases recogni-

zed by the Italian company involved in the sale of electricity to customers on the regulated market.

Including the portion of receivables classified as long term in the amount of €106 million (€67 million in 2015), receivables due from institutional market operators at December 31, 2016 totaled €1,131 million (€832 million at December 31, 2015), with payables of €4,966 million (€5,122 million at December 31, 2015).

30. Cash and cash equivalents - €8,290 million

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €52 million

essentially in respect of deposits pledged to secure transactions carried out.

Millions of euro

	at Dec. 31, 2016
Bank and post office deposits	7,777
Cash and cash equivalents on hand	298
Other liquid investments	215
Total	8,290

31. Assets and disposal groups classified as held for sale - €11 million and €0 million

Changes in assets held for sale during 2016 can be broken down as follows.

Millions of euro

	Dec. 31, 2015	Reclassification between at current and non- current assets	Disposals and change in scope of consolidation	Impairment losses	Other changes	at Dec. 31, 2016
Property, plant and equipment	3,744	10	(3,920)	(74)	246	6
Intangible assets	7	15	(20)	-	(2)	-
Deferred tax assets	1,066	8	(1,085)	-	11	-
Investments accounted for using the equity method	209	-	(192)	-	(17)	-
Non-current financial assets	1,066	-	(1,107)	-	46	5
Other non-current assets	18	-	(18)	-	-	-
Cash and cash equivalents	150	8	(124)	-	(34)	-
Current financial assets	111	-	(150)	-	39	-
Inventories, trade receivables, and other current assets	483	12	(593)	-	98	-
Total	6,854	53	(7,209)	(74)	387	11

Assets held for sale totaled €11 million at December 31, 2016, and included minor assets, all of limited significance.

At December 31, 2015, they included the assets of Slovenské elektrárne (€6,549 million), Hydro Dolomiti Enel (€189 million), Compostilla RE (€111 million), and other minor companies which, in view of the decisions taken by management, met the requirements of IFRS 5 for classification as assets held for sale.

Liabilities held for sale were practically eliminated during 2016 following completion of the disposals described above, i.e. of Slovenské elektrárne (€5,335 million) and Compostilla RE (€29 million).

The changes in 2016 in these liabilities are detailed below.

Millions of euro

	at Dec. 31, 2015	Reclassification between current and non-current assets	Disposals and change in scope of consolidation	Other changes	at Dec. 31, 2016
Long-term borrowings	1,701	-	(1,198)	(503)	-
Post-employment and other employee benefits	68	1	(68)	(1)	-
Provisions for risks and charges, non-current portion	1,867	-	(1,919)	52	-
Deferred tax liabilities	639	-	(639)	-	-
Non-current financial liabilities	231	-	(231)	-	-
Other non-current liabilities	2	-	(2)	-	-
Short-term borrowings	339	16	(1,141)	786	-
Other current financial liabilities	111	-	(110)	(1)	-
Provisions for risks and charges, current portion	19	1	(26)	6	-
Trade payables and other current liabilities	387	12	(440)	41	-
Total	5,364	30	(5,774)	380	-

32. Shareholders' equity - €52,575 million

32.1 Equity attributable to shareholders of the Parent Company - €34,803 million

Share capital - €10,167 million

At December 31, 2016, the share capital of Enel SpA – considering that as at December 31, 2015 there were no approved stock option plans (and thus no options exercised) – amounted to €10,166,679,946 fully subscribed and paid up, represented by 10,166,679,946 ordinary shares with a par value of €1.00 each.

This represents an increase of €763,322,151 compared with the previous amount of €9,403,357,795 at December 31, 2015, as a result of the partial, non-proportional demerger of the subsidiary Enel Green Power to Enel SpA effective as of March 31, 2016.

At December 31, 2016, 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, the only shareholders with interests of greater than 3% in the Company's share capital were the Ministry for the Economy and Finance (with a 23.585% stake) and BlackRock Inc. (with a 5.049% stake held at November 30, 2016 through subsidiaries for asset management purposes).

Other reserves - €5,152 million

Share premium reserve - €7,489 million

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve contains, in the case of the issue of shares at a price above par, the difference between the issue price of the shares and their par value, including those resulting from conversion from bonds. The reserve, which is a capital reserve, may not be distributed until the legal reserve has reached the threshold established under Article 2430 of the Italian Civil Code. The change of €2,197 million in the period reflected the capital increase noted above and includes transaction costs net of the associated tax effect of €15 million.

Legal reserve - €2,034 million

The legal reserve is formed of the part of net income that, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends.

Other reserves - €2,262 million

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was trans-

sformed from a public entity to a joint-stock company.

Pursuant to Article 47 of the Uniform Income Tax Code, this amount does not constitute taxable income when distributed.

Reserve from translation of financial statements in currencies other than euro - €(1,005) million

The increase for the year, equal to €951 million, is due to the net depreciation of the functional currency against the foreign currencies used by subsidiaries, as well to the change in the scope of consolidation, with a negative effect of €17 million, following the disposal of 50% of Slovak Power Holding, which in turn holds 66% of Slovenské elektrárne, and the acquisition of 31.71% of Enel Green Power SpA in the partial non-proportional demerger, which gave rise to a change in the Group's interests in companies using currencies other than the euro.

Reserve from measurement of cash flow hedge financial instruments - €(1,448) million

This includes the net charges recognized in equity from the measurement of cash flow hedge derivatives. The cumulative tax effect is equal to €355 million.

Reserve from measurement of financial instruments available for sale - €106 million

This includes net unrealized income from the measurement at fair value of financial assets.

Reserve from equity investments accounted for using the equity method - €(12) million

The reserve reports the share of comprehensive income to be recognized directly in equity of companies accounted for using the equity method. The cumulative tax effect is equal to €19 million.

Reserve from remeasurement of net defined benefit plan liabilities/(assets) - €(706) million

The reserve includes all actuarial gains and losses, net of tax effects. The change is attributable to the decrease in net actuarial losses recognized during the period, mainly reflecting changes in the discount rate. The cumulative tax effect is equal to €112 million.

This item mainly reports:

- The change for the period, a negative €283 million, represents the net balance between the effects of the merger into Enel Américas of Endesa Américas and Chilectra Américas and the disposal to third parties of a minority interest without loss of control in Enel Green Power North America Renewable Energy Partners.

The reserve reports the amount by which the purchase price in purchases from third parties of additional stakes in companies already controlled in Latin America (generated in previous years by the purchase of additional stakes in Ampla Energia e Serviços, Ampla Investimentos e Serviços, Eléctrica Cabo Blanco, Coelce, Generandes Perú, Enersis and Endesa Latinoamérica) exceeds the value of the equity acquired. The change for the period regards the difference between the share of equity acquired from non-controlling shareholders of Enel Green Power SpA and the purchase price.

The reserve reports earnings from previous years that have not been distributed or allocated to other reserves.

The table below shows the changes in gains and losses recognized directly in other comprehensive income, including non-controlling interests, with specific reporting of the related tax effects.

	at Dec. 31, 2015			Change			at Dec. 31, 2016					
		Of which	Of which	Gains/ (Losses)	Released			Of which	Of which		Of which	Of which
	Total	shareholders of the Parent Company	non- controlling interests	recognized in equity for the year	to income statement	Taxes	Total	shareholders of the Parent Company	non- controlling interests	Total	shareholders of the Parent Company	non- controlling interests
Reserve from translation of financial statements in currencies other than euro	(4,855)	(1,956)	(2,899)	1,952	-	-	1,952	968	984	(2,903)	(988)	(1,915)
Reserve from measurement of cash flow hedge financial instruments	(1,697)	(1,341)	(356)	(1,243)	1,275	(66)	(34)	(97)	63	(1,731)	(1,438)	(293)
Reserve from measurement of financial instruments available for sale	129	130	(1)	(14)	(6)	(4)	(24)	(24)	-	105	106	(1)
Share of OCI of associates accounted for using the equity method	(44)	(54)	10	(28)	10	-	(18)	(7)	(11)	(62)	(61)	(1)
Remeasurements of net employee benefit liabilities/ (assets)	(688)	(551)	(137)	(296)	-	57	(239)	(173)	(66)	(927)	(724)	(203)
Total gains/ (losses) recognized in equity	(7,155)	(3,772)	(3,383)	371	1,279	(13)	1,637	667	970	(5,518)	(3,105)	(2,413)

32.2 Dividends

	Amount distributed (millions of euro)	Dividend per share (euro)
Net dividends paid in 2015		
Dividends for 2014	1,316	0.14
Interim dividends for 2015	-	-
Special dividends	-	-
Total dividends paid in 2015	1,316	0.14
Net dividends paid in 2016		
Dividends for 2015	1,627	0.16
Interim dividends for 2016	-	-
Special dividends	-	-
Total dividends paid in 2016	1,627	0.16

In accordance with the decision of November 10, 2016, of the Board of Directors, as from 2016, Enel has adopted a policy providing for the payment of interim dividends, with the intention of optimizing shareholder remuneration: at that meeting, the Board approved the distribution of an interim

dividend of €0.09 per share, for a total of €915 million. That interim dividend, gross of any withholding tax, was paid as of January 25, 2017, with an ex-dividend date for coupon no. 25 of January 23, 2017 and a record date of January 24, 2017.

Capital management

The Group's objectives for managing capital comprise safeguarding the business as a going concern, creating value for stakeholders and supporting the development of the Group. In particular, the Group seeks to maintain an adequate capitalization that enables it to achieve a satisfactory return for shareholders and ensure access to external sources of financing, in part by maintaining an adequate rating.

In this context, the Group manages its capital structure and adjusts that structure when changes in economic conditions so require. There were no substantive changes in objectives, policies or processes in 2016.

To this end, the Group constantly monitors developments in the level of its debt in relation to equity. The situation at December 31, 2016 and 2015 is summarized in the following table.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Non-current financial position	41,336	44,872	(3,536)
Net current financial position	(1,162)	(4,992)	3,830
Non-current financial receivables and long-term securities	(2,621)	(2,335)	(286)
Net financial debt ("debt")	37,553	37,545	8
Equity attributable to shareholders of the Parent Company	34,803	32,376	2,427
Non-controlling interests	17,772	19,375	(1,603)
Shareholders' equity ("equity")	52,575	51,751	824
Debt/equity ratio	0.71	0.73	-

32.3 Non-controlling interests - €17,772 million

The following table reports the composition of non-controlling interests by Division.

Millions of euro	Non-controlling interests		Net income attributable to non-controlling interests	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Endesa Group	6,958	6,742	352	280
Enel Latinoamérica Group	9,233	8,052	659	1,032
Enel Investment Holding Group	1,011	803	73	(275)
Slovenské elektrárne Group	-	386	(2)	(3)
Enel Green Power Group	570	3,392	135	142
Total	17,772	19,375	1,217	1,176

The decrease in non-controlling interests reflects the non-proportional demerger of Enel Green Power SpA, with which the Group increased its interest in the company from 68.29% to 100%, and the disposal of 50% of Slovak Power

Holding, which in turn holds 66% of Slovenské elektrárne, leading to the loss of control and measurement of the company using the equity method.

33. Borrowings

Millions of euro	Non-current		Current	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Long-term borrowings	41,336	44,872	4,384	5,733
Short-term borrowings	-	-	5,372	2,155
Total	41,336	44,872	9,756	7,888

For more details on the nature of borrowings, please see note 41 "Financial instruments".

34. Employee benefits - €2,585 million

The Group provides its employees with a variety of benefits, including deferred compensation 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:

> for Italy, the item "pension benefits" regards estimated accruals made to cover benefits due under the supplemental retirement schemes of retired executives and the benefits due to personnel under law or contract at the time the employment relationship is terminated. For the foreign companies, the item reports post-employment benefits, of which the most material regard the pension benefit schemes of Endesa in Spain, which break down into three types that differ on the basis of employee seniority and company. In general, under the framework agreement of October 25, 2000, employees participate in a specific defined contribution pension plan and, in cases of disability or death of employees in service, a defined benefit plan which is covered by appropriate insurance policies. In addition, Endesa has two other limited-enrollment plans (i) for current and retired Endesa employees covered by the electricity industry collective

bargaining agreement prior to the changes introduced with the framework agreement noted earlier and (ii) for employees of the former Catalan companies (Fecsa/Enher/HidroEmpordà). Both are defined benefit plans and benefits are fully ensured, with the exception of the former plan for benefits in the event of the death of a retired employee. Finally, the Brazilian companies have also established defined benefit plans;

- > the item "electricity discount" comprises benefits regarding electricity supply associated with foreign companies. For Italy, that benefit, which was granted until the end of 2015 to retired employees only, was unilaterally cancelled;
- > the item "health insurance" reports benefits for current or retired employees covering medical expenses;
- > the item "other benefits" mainly regards the loyalty bonus, which is adopted in various countries and for Italy is represented by the estimated liability for the benefit entitling employees covered by the electricity workers national collective bargaining agreement to a bonus for achievement of seniority milestones (25th and 35th year of service). It also includes other incentive plans, which provide for the award to certain company managers of a monetary bonus subject to specified conditions.

The following table reports changes in the defined benefit obligation for post-employment and other long-term employee benefits at December 31, 2016 and December 31,

2015, respectively, as well as a reconciliation of that obligation with the actuarial liability.

Millions of euro

	2016				
	Pension benefits	Electricity discount	Health insurance	Other benefits	Total
CHANGES IN ACTUARIAL OBLIGATION					
Actuarial obligation at the start of the year	2,126	724	202	285	3,337
Current service cost	14	4	5	50	73
Interest expense	108	19	11	7	145
Actuarial (gains)/losses arising from changes in demographic assumptions	2	-	(2)	1	1
Actuarial (gains)/losses arising from changes in financial assumptions	221	96	20	10	347
Experience adjustments	9	22	(4)	(14)	13
Past service cost	1	-	1	1	3
(Gains)/Losses arising from settlements	2	-	-	-	2
Exchange differences	126	1	14	6	147
Employer contributions	-	-	-	-	-
Employee contributions	1	-	-	-	1
Benefits paid	(194)	(28)	(14)	(62)	(298)
Other changes	24	3	4	1	32
Liabilities classified as held for sale	-	-	-	-	-
Actuarial obligation at year end (A)	2,440	841	237	284	3,802
CHANGES IN PLAN ASSETS					
Fair value of plan assets at the start of the year	1,110	-	-	-	1,110
Interest income	75	-	-	-	75
Expected return on plan assets excluding amounts included in interest income	40	-	-	-	40
Exchange differences	104	-	-	-	104
Employer contributions	136	28	14	22	200
Employee contributions	1	-	-	-	1
Benefits paid	(194)	(28)	(14)	(22)	(258)
Other payments	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Fair value of plan assets at year end (B)	1,272	-	-	-	1,272
EFFECT OF ASSET CEILING					
Asset ceiling at the start of the year	57	-	-	-	57
Interest income	5	-	-	-	5
Changes in asset ceiling	(20)	-	-	-	(20)
Exchange differences	13	-	-	-	13
Change in the scope of consolidation	-	-	-	-	-
Asset ceiling at year end (C)	55	-	-	-	55
Net liability in balance sheet (A-B+C)	1,223	841	237	284	2,585

2015

Pension benefits	Electricity discount	Health insurance	Other benefits	Total
2,458	1,927	223	263	4,871
24	6	5	54	89
106	41	10	8	165
1	-	-	-	1
(124)	(66)	(8)	4	(194)
10	(196)	2	4	(180)
(43)	-	-	(5)	(48)
1	(902)	-	-	(901)
(157)	(1)	(17)	(6)	(181)
-	-	-	-	-
1	-	-	-	1
(154)	(88)	(13)	(39)	(294)
4	3	-	2	9
(1)	-	-	-	(1)
2,126	724	202	285	3,337
1,252	-	-	-	1,252
68	-	-	-	68
(30)	-	-	-	(30)
(125)	-	-	-	(125)
98	88	13	24	223
1	-	-	-	1
(154)	(88)	(13)	(24)	(279)
-	-	-	-	-
-	-	-	-	-
1,110	-	-	-	1,110
68	-	-	-	68
5	-	-	-	5
2	-	-	-	2
(18)	-	-	-	(18)
-	-	-	-	-
57	-	-	-	57
1,073	724	202	285	2,284

Millions of euro

	2016	2015
(Gains)/Losses charged to profit or loss		
Service cost and past service cost	34	(5)
Net interest expense	78	102
(Gains)/Losses arising from settlements	2	(901)
Actuarial (gains)/losses on other long-term benefits	42	46
Other changes	(4)	1
Total	152	(757)

Millions of euro

	2016	2015
Change in (gains)/losses in OCI		
Return on plan assets excluding amounts included in interest income	(40)	30
Actuarial (gains)/losses on defined benefit plans	365	(374)
Changes in asset ceiling excluding amounts included in interest income	(20)	2
Other changes	(9)	(2)
Total	296	(344)

The change in cost recognized through profit or loss, equal to €909 million, is mainly attributable to the cancellation in 2015, for the Italian companies only, of the electricity discount benefit for former Group employees, which involved the reversal of the associated liability.

In addition, the supplemental provisions of the union agreements implementing the new plan under Article 4 of the

Fornero Act established in December 2015 prompted an adjustment of the liability in respect of other employee benefit plans.

The liability recognized in the balance sheet at the end of the year is reported net of the fair value of plan assets, amounting to €1,272 million at December 31, 2016. Those assets, which are entirely in Spain and Brazil, break down as follows.

	2016	2015
Investments quoted in active markets		
Equity instruments	2%	4%
Fixed-income securities	35%	25%
Investment property	5%	4%
Other	1%	1%
Unquoted investments		
Assets held by insurance undertakings	-	-
Other	57%	67%
Total	100%	100%

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits and the plan assets,

which are consistent with those used the previous year, are set out in the following table.

	Italy	Iberia	Latin America	Other	Italy	Iberia	Latin America	Other
	2016				2015			
Discount rate	0.30%- 1.40%	0.64%- 1.75%	4.70%- 12.31%	1.40%- 8.36%	0.50%- 2.15%	1.17%- 2.56%	4.95%- 14.21%	2.03%- 9.72%
Inflation rate	1.40%	2.00%	3.00%- 6.00%	1.40%- 4.84%	1.60%	2.00%	3.00%- 6.50%	1.50%- 5.50%
Rate of wage increases	1.40%- 3.40%	2.00%	3.00%- 9.19%	2.90%- 4.84%	1.60%- 3.60%	2.00%	3.00%- 9.69%	2.00%- 5.50%
Rate of increase in healthcare costs	2.40%	3.20%	3.50%- 9.19%	-	2.60%	3.20%	4.20%- 9.69%	-
Expected rate of return on plan assets	-	1.74%	12.20%- 12.31%	-	-	2.54%	14.18%- 14.21%	-

The following table reports the outcome of a sensitivity analysis that demonstrates the effects on the defined benefit obligation of changes reasonably possible at the end

of the year in the actuarial assumptions used in estimating the obligation.

Millions of euro	Pension benefits	Electricity discount	Health insurance	Other benefits	Pension benefits	Electricity discount	Health insurance	Other benefits
	at Dec. 31, 2016				at Dec. 31, 2015			
Decrease of 0.5% in discount rate	159	75	12	4	131	60	12	4
Increase of 0.5% in discount rate	(136)	(69)	(15)	(10)	(116)	(54)	(12)	(10)
Increase of 0.5% in inflation rate	30	74	2	2	33	59	8	4
Decrease of 0.5% in inflation rate	(20)	(67)	(18)	(10)	(26)	(38)	(9)	(7)
Increase of 0.5% in remuneration	8	-	-	1	8	-	-	2
Increase of 0.5% in pensions currently being paid	12	-	-	(3)	11	-	-	(3)
Increase of 1% in healthcare costs	-	-	20	-	-	-	20	-
Increase of 1 year in life expectancy of active and retired employees	50	12	5	(3)	47	24	3	(2)

The sensitivity analysis used an approach that extrapolates the effect on the defined benefit obligation of reasonable changes in an individual actuarial assumption, leaving the other assumptions unchanged.

The contributions expected to be paid into defined benefit plans in the subsequent year amount to €26 million.

The following table reports expected benefit payments in the coming years for defined benefit plans.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015
Within 1 year	204	201
In 1-2 years	186	211
In 2-5 years	589	601
More than 5 years	1,058	944

35. Provisions for risks and charges - €6,414 million

Millions of euro

	at Dec. 31, 2016		at Dec. 31, 2015	
	Non-current	Current	Non-current	Current
Provision for litigation, risks and other charges:				
- nuclear decommissioning	567	-	528	-
- retirement, removal and site restoration	754	35	611	11
- litigation	698	36	762	47
- environmental certificates	-	7	-	19
- taxes and duties	290	56	290	20
- other	770	859	819	1,062
Total	3,079	993	3,010	1,159
Provision for early retirement incentives	1,902	440	2,182	471
TOTAL	4,981	1,433	5,192	1,630

Millions of euro	Accruals		Reversals	Utilization	Unwinding of interest	Change in the scope of consolidation	Translation adjustment	Other	
	at Dec. 31, 2015								at Dec. 31, 2016
Provision for litigation, risks and other charges:									
- nuclear decommissioning	528	-	-	-	6	-	-	33	567
- retirement, removal and site restoration	622	183	(18)	(24)	8	(13)	11	20	789
- litigation	809	169	(222)	(110)	49	1	39	(1)	734
- environmental certificates	19	7	(7)	(12)	-	-	-	-	7
- taxes and duties	310	94	(28)	(32)	3	-	4	(5)	346
- other	1,881	389	(165)	(550)	98	9	15	(48)	1,629
Total	4,169	842	(440)	(728)	164	(3)	69	(1)	4,072
Provision for early retirement incentives	2,653	214	(13)	(464)	67	3	-	(117)	2,342
TOTAL	6,822	1,056	(453)	(1,192)	231	-	69	(118)	6,414

Nuclear decommissioning provision

At December 31, 2016, the provision reflected solely the costs that will be incurred at the time of decommissioning of nuclear plants by Endesa in respect of Enresa, a Spanish public enterprise responsible for such activities in accordance with Royal Decree 1349/2003 and Law 24/2005. Quantification of the costs is based on the standard contract between Endesa and the electricity companies approved by the Ministry for the Economy in September 2001, which regulates the retirement and closing of nuclear power plants. The time horizon envisaged, three years, corresponds to the period from the termination of power generation to the transfer of plant management to Enresa (so-called post-operational costs) and takes into account, among the various assumptions used to estimate the amount, the quantity of unused nuclear fuel expected at the date of closure of each of the Spanish nuclear plants on the basis of the provisions of the concession agreement.

Non-nuclear plant retirement and site restoration provision

The provision for non-nuclear plant retirement and site restoration represents the present value of the estimated cost for the retirement and removal of non-nuclear plants where there is a legal or constructive obligation to do so.

Litigation provision

The "litigation" provision covers contingent liabilities in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The estimates are based on the opinions of internal and external legal counsel. The balance for litigation mainly regards disputes concerning service quality and disputes with employees, end users or suppliers of the companies in Spain (€235 million), Italy (€219 million) and Brazil (€199 million).

The reduction compared with the previous year, equal to €75 million, mainly reflects the reversal of the provision for the SAPE dispute (€80 million) following the favorable arbitration ruling.

Provision for environmental certificates

The provision for environmental certificates covers costs in respect of shortfalls in the environmental certificates need for compliance with national or supranational environmental protection requirements.

Other provisions

"Other" provisions cover various risks and charges, mainly in connection with regulatory disputes and disputes with local authorities regarding various duties and fees or other charges.

The change of €252 million for the year is mainly due to the use and reversal (for non-participants) of the provision (€328 million) recognized by the Italian companies in 2015 to cover the charge for the one-off indemnity granted to former employees following the Group's unilateral revocation of the electricity discount benefit.

In addition, the balance for other provisions for risks and charges also includes the provision for current and potential disputes concerning local property tax – whether the *Imposta Comunale sugli Immobili* ("ICI") or the new *Imposta Municipale Unica* ("IMU") – in Italy. The Group has taken due account of the criteria introduced with circular no. 6/2012 of the Public Land Agency (which resolved interpretive issues concerning the valuation methods for movable assets considered relevant for property registry purposes, including certain assets typical to generation plants, such as turbines) in estimating the liability for such taxes, both for the purposes of quantifying the probable risk associated with pending litigation and generating a reasonable valuation of probable future charges on positions that have not yet been assessed by Land Agency offices and municipalities.

Provision for early retirement incentives

The provision for early retirement incentives includes the estimated charges related to binding agreements for the voluntary termination of employment contracts in response to organizational needs. The change for the year reflects, among other factors, uses for incentive provisions established in Spain and Italy in previous years.

In Italy, the latter is largely associated with the union-company agreements signed in September 2013 and December 2015, implementing, for a number of companies

in Italy, the mechanism provided for under Article 4, paragraphs 1-7 *ter*, of Law 92/2012 (the Fornero Act). The latter agreement envisages the voluntary termination, in Italy, of about 6,100 employees in 2016-2020.

In Spain, the provisions regard the expansion, in 2015, of the *Acuerdo de Salida Voluntaria* (ASV) introduced in Spain in 2014. The ASV mechanism was agreed in Spain in connection with Endesa's restructuring and reorganization

plan, which provides for the suspension of the employment contract with tacit annual renewal. With regard to that plan, on December 30, 2014, the company had signed an agreement with union representatives in which it undertook to not exercise the option to request a return to work at subsequent annual renewal dates for the employees participating in the mechanism.

36. Other non-current liabilities - €1,856 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Accrued operating expenses and deferred income	973	966	7	0.7%
Other items	883	583	300	51.5%
Total	1,856	1,549	307	19.8%

At December 31, 2016 the item was essentially accounted for by revenue for electricity and gas connections and grants received in respect of specific assets. The increase in "other items" mainly regarded an increase in a number of regulatory liabilities in Argentina and Brazil, totaling €113 million,

and the reclassification from the early retirement incentive provision of amounts to be paid to employees who terminated their employment in implementation of the provisions of Article 4 of Law 92/2012 (€87 million net of payments made).

37. Trade payables - €12,688 million

The item amounted to €12,688 million (€11,775 million in 2015) and includes payables in respect of electricity supplies, fuel, materials, equipment associated with tenders and other services.

More specifically, trade payables falling due in less than 12 months amounted to €12,230 million (€11,261 million in 2015), while those falling due in more than 12 months amounted to €458 million (€514 million in 2015).

38. Other current financial liabilities - €1,264 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Deferred financial liabilities	842	957	(115)	-12.0%
Other items	422	106	316	-
Total	1,264	1,063	201	18.9%

The increase in other current financial liabilities reflects an increase in financial debt as a result of the change in the method used to finance the rate deficit in the Spanish electrical system following the amendment of the regulatory

framework of the electrical system begun in 2013 and completed in 2014.

"Deferred financial liabilities" regard accrued expense on bonds.

39. Net financial position and long-term financial receivables and securities - €37,553 million

The following table shows the net financial position and long-term financial receivables and securities on the basis of the items on the consolidated balance sheet.

Millions of euro

	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Long-term borrowings	41	41,336	44,872	(3,536)	-7.9%
Short-term borrowings	41	5,372	2,155	3,217	-
Other current financial payables ⁽¹⁾		296	-	296	-
Current portion of long-term borrowings	41	4,384	5,733	(1,349)	-23.5%
Non-current financial assets included in debt	24	(2,621)	(2,335)	(286)	12.2%
Current financial assets included in debt	28	(2,924)	(2,241)	(683)	30.5%
Cash and cash equivalents	30	(8,290)	(10,639)	2,349	22.1%
Total		37,553	37,545	8	-

(1) Includes current financial payables included in other current financial liabilities.

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at December 31, 2016, and December 31, 2015, reconciled with net

financial debt as provided for in the presentation methods of the Enel Group.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Cash and cash equivalents on hand	298	582	(284)	-48.8%
Bank and post office deposits	7,777	10,057	(2,280)	-22.7%
Other investments of liquidity	215	-	215	-
Securities	36	1	35	-
Liquidity	8,326	10,640	(2,314)	-21.7%
Short-term financial receivables	1,993	1,324	669	50.5%
Factoring receivables	128	147	(19)	-12.9%
Short-term portion of long-term financial receivables	767	769	(2)	-0.3%
Current financial receivables	2,888	2,240	648	28.9%
Short-term bank debt	(909)	(180)	(729)	-
Commercial paper	(3,059)	(213)	(2,846)	-
Short-term portion of long-term bank debt	(749)	(844)	95	-11.3%
Bonds issued (short-term portion)	(3,446)	(4,570)	1,124	24.6%
Other borrowings (short-term portion)	(189)	(319)	130	40.8%
Other current financial payables ⁽¹⁾	(1,700)	(1,762)	62	-3.5%
Total short-term financial debt	(10,052)	(7,888)	(2,164)	-27.4%
Net short-term financial position	1,162	4,992	(3,830)	-76.7%
Debt to banks and financing entities	(7,446)	(6,863)	(583)	-8.5%
Bonds	(32,401)	(35,987)	3,586	10.0%
Other borrowings	(1,489)	(2,022)	533	26.4%
Long-term financial position	(41,336)	(44,872)	3,536	7.9%
NET FINANCIAL POSITION as per CONSOB instructions	(40,174)	(39,880)	(294)	-0.7%
Long-term financial receivables and securities	2,621	2,335	286	12.2%
NET FINANCIAL DEBT	(37,553)	(37,545)	(8)	-

(1) Includes current financial payables included in other current financial liabilities.

40. Other current liabilities - €12,141 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Payables due to customers	1,785	1,567	218	13.9%
Payables due to institutional market operators	4,617	4,879	(262)	-5.4%
Payables due to employees	436	459	(23)	-5.0%
Other tax payables	1,071	990	81	8.2%
Payables due to social security institutions	215	216	(1)	-0.5%
Contingent consideration	85	36	49	-
Payables for put options granted to minority shareholders	403	793	(390)	-49.2%
Current accrued expenses and deferred income	325	294	31	10.5%
Payables for acquisition of equity investments	-	-	-	-
Liabilities for construction contracts	358	347	11	3.2%
Other	2,846	1,641	1,205	73.4%
Total	12,141	11,222	919	8.2%

“Payables due to customers” include €1,038 million (€1,066 million at December 31, 2015) in security deposits related to amounts received from customers in Italy as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the Company does not have an unconditional right to defer repayment beyond 12 months.

“Payables due to institutional market operators” include payables arising from the application of equalization mechanisms to electricity purchases on the Italian market amounting to €3,069 million (€3,439 million at December 31, 2015), on the Spanish market amounting to €1,285 million (€1,392 million at December 31, 2015) and on the Latin American market amounting to €263 million (€48 million at December 31, 2015).

“Contingent consideration” regards a number of investees

held by the Group in North America whose fair value was determined on the basis of the terms and conditions of the contractual agreements between the parties.

The item “payables for put options granted to minority shareholders” at December 31, 2016 includes the liability in respect of Enel Distributie Muntenia and Enel Energie Muntenia in the total amount of €401 million (€778 million at December 31, 2015). The decline in the period mainly reflects the writedown of €48 million in the liability in respect of the put option on 13.6% as a result of the ruling in the international arbitration proceeding with SAPE, which was completed in February 2017, and €329 million in respect of the 10% reduction in the Group’s interest following the cessation of the right of former employees to exercise the tag-along right connected with the put option following further legal analysis supported by external legal counsel.

41. Financial instruments

This note provides disclosures necessary for users to assess the significance of financial instruments for the Company’s financial position and performance.

41.1 Financial assets by category

The following table reports the carrying amount for each category of financial asset provided for under IAS 39, broken down into current and non-current financial assets, showing

hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro		Non-current		Current	
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Loans and receivables	41.1.1	2,181	2,173	24,684	25,676
Available-for-sale financial assets	41.1.2	1,658	868	35	-
Financial assets held to maturity	41.1.3	-	117	-	1
Financial assets at fair value through profit or loss					
Financial assets designated upon initial recognition (fair value option)	41.1.4	-	45	-	-
Derivative financial assets at FVTPL	41.1.4	21	13	3,027	4,466
Other financial assets held for trading	41.1.4	-	-	1	-
Total financial assets at fair value through profit or loss		21	58	3,028	4,466
Derivative financial assets designated as hedging instruments					
Fair value hedge derivatives	41.1.5	36	46	1	-
Cash flow hedge derivatives	41.1.5	1,552	2,284	917	607
Total derivative financial assets designated as hedging instruments		1,588	2,330	918	607
TOTAL		5,448	5,546	28,665	30,750

For more information on fair value measurement, please see note 45 "Assets measured at fair value".

41.1.1 Loans and receivables

The following table shows loans and receivables by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current		Current		
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Notes	at Dec. 31, 2016	at Dec. 31, 2015
Cash and cash equivalents		-	-	30	8,290	10,639
Trade receivables	27	-	-	27	13,506	12,797
Short-term portion of long-term financial receivables		-	-	28.1	767	769
Receivables for factoring		-	-	28.1	128	147
Cash collateral		-	-	28.1	1,082	1,020
Other financial receivables	24.1	2,181	2,173	28.1	911	304
Total		2,181	2,173		24,684	25,676

Trade receivables from customers at December 31, 2016 amounted to €13,506 million (€12,797 million at December 31, 2015) and are recognized net of allowances for impar-

ment losses, which amounted to €2,028 million at the end of the year, compared with the opening balance of €2,085 million.

The table below shows impairment losses on trade receivables.

Millions of euro	at Dec. 31, 2016	at Dec. 31, 2015
Trade receivables		
Gross value	15,534	14,882
Allowances for impairment	(2,028)	(2,085)
Net value	13,506	12,797

The table below shows changes in these allowances during the year.

Millions of euro	
Opening balance at January 1, 2015	1,662
Charge for the year	992
Utilized	(546)
Unused amounts reversed	(178)
Other changes	155
Closing balance at December 31, 2015	2,085
Opening balance at January 1, 2016	2,085
Charge for the year	873
Utilized	(548)
Unused amounts reversed	(151)
Other changes	(231)
Closing balance at December 31, 2016	2,028

Note 42 "Risk management" provides additional information on the ageing of receivables past due but not impaired.

41.1.2 Financial assets available for sale

The following table shows available-for-sale financial assets by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current			Current	
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Notes	at Dec. 31, 2016	at Dec. 31, 2015
Equity investments in other companies	24	196	237	24	-	-
Available-for-sale securities	24.1	440	-	28.1	35	-
Service concession arrangements	24	1,022	631		-	-
Total		1,658	868		35	-

Changes in financial assets available for sale

Millions of euro	Non-current	Current
Opening balance at January 1, 2016	868	-
Increases	1,096	-
Decreases	(17)	-
Changes in fair value through OCI	(36)	-
Reclassifications	218	23
Other changes	(471)	12
Closing balance at December 31, 2016	1,658	35

41.1.3 Financial assets held to maturity

At December 31, 2016 financial assets held to maturity amounted to zero. The decrease compared with the pre-

vious year essentially reflects the reduction of €117 million in non-current securities held by Enel Insurance.

41.1.4 Financial assets at fair value through profit or loss

The following table shows financial assets at fair value through profit or loss by nature, broken down into current and non-current financial assets.

Millions of euro	Notes	Non-current		Notes	Current	
		at Dec. 31, 2016	at Dec. 31, 2015		at Dec. 31, 2016	at Dec. 31, 2015
Derivatives at FVTPL	44	21	13	44	3,027	4,466
Securities held for trading		-	-	24.1	1	-
Financial investments in funds	24.1	-	45		-	-
Total financial assets designated upon initial recognition (fair value option)		-	45		-	-
TOTAL		21	58		3,028	4,466

41.1.5 Derivative financial assets designated as hedging instruments

For more information on derivative financial assets, please see note 44 "Derivatives and hedge accounting".

41.2 Financial liabilities by category

The following table shows the carrying amount for each category of financial liability provided for under IAS 39, broken down into current and non-current financial liabilities, show-

ing hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro	Notes	Non-current		Notes	Current	
		at Dec. 31, 2016	at Dec. 31, 2015		at Dec. 31, 2016	at Dec. 31, 2015
Financial liabilities measured at amortized cost	41.2.1	41,336	44,872		22,444	19,663
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities at FVTPL	44	22	41		3,016	4,734
Total financial liabilities at fair value through profit or loss		22	41		3,016	4,734
Derivative financial liabilities designated as hedging instruments						
Fair value hedge derivatives	44	15	-		1	-
Cash flow hedge derivatives	44	2,495	1,477		305	775
Total derivative financial liabilities designated as hedging instruments		2,510	1,477		306	775
TOTAL		43,868	46,390		25,766	25,172

For more information on fair value measurement, please see note 46 "Liabilities measured at fair value".

41.2.1 Financial liabilities measured at amortized cost

The following table shows financial liabilities at amortized cost by nature, broken down into current and non-current financial liabilities.

Millions of euro	Notes	Non-current		Notes	Current	
		at Dec. 31, 2016	at Dec. 31, 2015		at Dec. 31, 2016	at Dec. 31, 2015
Long-term borrowings	41.3	41,336	44,872	41.3	4,384	5,733
Short-term borrowings		-	-	41.3	5,372	2,155
Trade payables	37	-	-	37	12,688	11,775
Total		41,336	44,872		22,444	19,663

41.3 Borrowings

41.3.1 Long-term borrowings (including the portion falling due within 12 months) - €45,720 million

The following table reports the carrying amount and fair value for each category of debt, including the portion falling due within 12 months. For listed debt instruments, the fair value is given by official prices, while for unlisted debt instruments, fair value is determined using valuation techniques appropriate for each category of financial instrument and the

associated market data at the reporting date, including the credit spreads of Enel SpA.

The following table reports the situation of long-term borrowings and repayment schedules at December 31, 2016, broken down by type of borrowing and interest rate.

Millions of euro	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Changes in carrying amount
at Dec. 31, 2016						at Dec. 31, 2015					
Bonds:											
- listed, fixed rate	26,426	25,770	1,583	24,187	30,332	30,250	29,809	3,351	26,458	34,897	(4,039)
- listed, floating rate	3,338	3,320	376	2,944	3,673	4,098	4,076	1,155	2,921	4,190	(756)
- unlisted, fixed rate	5,660	5,619	1,422	4,197	6,240	5,479	5,436	-	5,436	6,186	183
- unlisted, floating rate	1,138	1,138	65	1,073	1,132	1,236	1,236	64	1,172	1,193	(98)
Total bonds	36,562	35,847	3,446	32,401	41,377	41,063	40,557	4,570	35,987	46,466	(4,710)
Bank borrowings:											
- fixed rate	1,283	1,278	152	1,126	1,372	1,169	1,147	137	1,010	1,256	131
- floating rate	6,951	6,902	597	6,305	7,187	6,555	6,529	707	5,822	6,812	373
- use of revolving credit lines	15	15	-	15	15	31	31	-	31	31	(16)
Total bank borrowings	8,249	8,195	749	7,446	8,574	7,755	7,707	844	6,863	8,099	488
Non-bank borrowings:											
- fixed rate	1,549	1,548	159	1,389	1,565	2,012	2,012	250	1,762	2,012	(464)
- floating rate	130	130	30	100	138	329	329	69	260	341	(199)
Total non-bank borrowings	1,679	1,678	189	1,489	1,703	2,341	2,341	319	2,022	2,353	(663)
Total fixed-rate borrowings	34,918	34,215	3,316	30,899	39,509	38,910	38,404	3,738	34,666	44,351	(4,189)
Total floating-rate borrowings	11,572	11,505	1,068	10,437	12,145	12,249	12,201	1,995	10,206	12,567	(696)
TOTAL	46,490	45,720	4,384	41,336	51,654	51,159	50,605	5,733	44,872	56,918	(4,885)

The balance for bonds is reported net of €842 million in respect of the unlisted floating-rate “Special series of bonds reserved for employees 1994-2019”, which the Parent Company holds in portfolio.

The table below reports long-term financial debt by currency and interest rate.

Long-term financial debt by currency and interest rate

Millions of euro	Carrying amount	Nominal value	Carrying amount	Nominal value	Current average nominal interest rate	Current effective interest rate
	at Dec. 31, 2016		at Dec. 31, 2015		at Dec. 31, 2016	
Euro	25,546	26,127	31,059	31,433	3.7%	4.1%
US dollar	9,879	9,978	9,552	9,636	6.1%	6.3%
Pound sterling	4,955	5,011	5,775	5,845	6.1%	6.2%
Colombian peso	1,872	1,872	1,358	1,358	11.1%	11.1%
Brazilian real	1,088	1,098	875	880	13.7%	13.8%
Swiss franc	539	540	534	535	3.1%	3.1%
Chilean peso/UF	490	501	445	456	7.9%	8.1%
Peruvian sol	437	437	410	410	6.2%	6.2%
Russian ruble	295	295	124	124	12.2%	12.2%
Japanese yen	255	255	240	240	2.4%	2.5%
Other currencies	364	376	233	242		
Total non-euro currencies	20,174	20,363	19,546	19,726		
TOTAL	45,720	46,490	50,605	51,159		

Long-term financial debt denominated in currencies other than the euro increased by €628 million. The change is lar-

gely attributable to new borrowing in US dollars by the companies operating in Latin America.

Change in the nominal value of long-term debt

Millions of euro	Nominal value	Repayments	Change in own bonds	Change in the scope of consolidation	Exchange offer	New financing	Exchange differences	Reclassification from/to assets/ (liabilities) held for sale	Nominal value
	at Dec. 31, 2015								at Dec. 31, 2016
Bonds	41,063	(5,289)	(34)	-	183	946	(307)	-	36,562
Borrowings	10,096	(1,450)	-	(504)	-	1,393	393	-	9,928
Total financial debt	51,159	(6,739)	(34)	(504)	183	2,339	86	-	46,490

Compared with December 31, 2015, the nominal value of long-term debt at December 31, 2016 decreased by €4,669 million, the net effect of €2,339 million in new borrowings, €183 million in the bond exchange transaction carried out by Enel Finance International and €86 million in exchange rate losses, which were easily offset by repayments of €6,739 million and the change in the scope of consolidation in the amount of €504 million. The latter change mainly reflected the deconsolidation of the debt of EGPNA Renewable Ener-

gy Partners LLC (“EGPNA REP”), following the reduction by Enel Green Power North America of its interest in EGPNA REP from 51% to 50% and the transformation of the latter company into an equally held joint venture with GE Energy Financial Services.

The main repayments in 2016 concerned bonds in the amount of €5,289 million and borrowings totaling €1,450 million.

More specifically, the main bonds maturing in 2016 included:

- > a floating-rate bond (€1,000 million) issued by Enel SpA, maturing in February 2016;
- > a fixed-rate bond (€2,000 million) issued by Enel SpA, maturing in February 2016;
- > a fixed-rate bond (€1,080 million) issued by Enel Finance International, maturing in September 2016;
- > a fixed-rate bond in US dollars (the equivalent of €235 million) issued by Enel Américas, formerly Enersis, maturing in December 2016;
- > bonds (the equivalent of €158 million) issued by a number of Latin American companies, maturing in 2016.

The main repayments of borrowings in the year included the following:

- > €281 million in respect of subsidized loans of e-distribuzione and Enel Produzione;
- > €152 million in respect of floating-rate bank borrowings of Endesa, of which €41 million in subsidized loans;
- > €142 million in respect of floating-rate bank borrowings of Enel Green Power SpA, of which €45 million in subsidized loans;
- > the equivalent of €224 million in respect of bank borrowings of Enel Russia, of which €81 million in subsidized loans;

- > the equivalent of €263 million in respect of loans of companies in Latin America;
- > the equivalent of €172 million in respect of loans of Enel Green Power North America.

In May 2016, following a non-binding exchange offer, the subsidiary Enel Finance International carried out the repurchase and concomitant issue of a senior fixed-rate bond maturing in June 2026 (the "exchange offer"). The amount repurchased (€1,074 million) and that issued (€1,257 million) generated a net cash inflow of €183 million. From an accounting standpoint, taking account of the characteristics of the instruments exchanged and the quantitative limits set by the applicable accounting standard, the exchange offer did not give rise to the extinguishment of the pre-existing financial liability. As the non-binding exchange offer was subscribed by only part of the original bondholders, the previous issue remains in circulation on the market in the total notional amount of €5,458 million, maturing between 2017 and 2023.

The main new borrowing carried out in 2016 involved bonds in the amount of €946 million and borrowings of €1,393 million.

The table below shows the main characteristics of financial transactions carried out in 2016.

	Issuer/Grantor	Issue/Grant date	Amount in millions of euro	Currency	Interest rate	Interest rate type	Maturity
Bonds:							
Local bonds	Enel Américas	25/10/2016	552	USD	4.00%	Fixed rate	25/10/2026
	Emgesa	11/02/2016	61	COP	COP CPI 3M + 349 bp	Floating rate	11/02/2019
	Emgesa	11/02/2016	75	COP	COP CPI 3M + 469 bp	Floating rate	11/02/2023
	Emgesa	27/09/2016	91	COP	7.59%	Fixed rate	27/09/2022
Total bonds			779				
Bank borrowings:							
	Ampla	07/03/2016	70	USD	USD LIBOR 6M + 153 bp	Floating rate	07/03/2019
	Codensa	17/03/2016	57	COP	8.49%	Fixed rate	18/03/2019
	Codensa	10/06/2016	49	COP	8.82%	Fixed rate	10/06/2020
	Enel Russia	03/03/2016	131	RUR	12.50%	Fixed rate	04/02/2021
	Enel Green Power Brazil	14/01/2016	134	USD	USD LIBOR 3M +115 bp	Floating rate	10/01/2020
	Enel Green Power Brazil	18/05/2016	63	BRL	CDI + 300 bp	Floating rate	18/05/2017
	Enel Green Power Brazil	22/12/2016	55	BRL	TJLP + 202 bp	Floating rate	15/06/2037
	Enel Sole	22/12/2016	75	EUR	EURIBOR 6M + 46 bp	Floating rate	22/12/2031
	Enel Produzione	22/12/2016	50	EUR	EURIBOR 6M + 46 bp	Floating rate	22/12/2034
	Enel	20/07/2016	50	EUR	EURIBOR 6M + 33 bp	Floating rate	15/07/2020
	Enel Green Power	28/10/2016	50	EUR	EURIBOR 6M + 41 bp	Floating rate	28/10/2031
Total bank borrowings			784				

Among the main financing contracts finalized in 2016, on July 15, 2016, a 4-year €500 million credit facility was agreed between Enel SpA and UniCredit SpA. The facility was drawn in the amount of €50 million at December 31, 2016.

The Group's main long-term financial liabilities are governed by covenants that are commonly adopted in international business practice. These liabilities primarily regard the bond issues carried out within the framework of the Global Medium-Term Notes program, issues of subordinated unconvertible hybrid bonds (so-called "hybrid bonds") and loans granted by banks and other financial institutions (including the European Investment Bank and Cassa Depositi e Prestiti SpA).

The main covenants regarding bond issues carried out within the framework of the Global Medium-Term Notes

program of (i) Enel and Enel Finance International NV and of (ii) Endesa Capital SA and International Endesa BV, can be summarized as follows:

- > negative pledge clauses under which the issuer and the guarantor may not establish or maintain mortgages, liens or other encumbrances on all or part of its assets or revenue to secure certain financial liabilities, unless the same encumbrances are extended equally or pro rata to the bonds in question;
- > pari passu clauses, under which the bonds and the associated security constitute a direct, unconditional and unsecured obligation of the issuer and the guarantor, are issued without preferential rights among them and have at least the same seniority as other present and future unsubordinated and unsecured bonds of the issuer and the guarantor;
- > cross-default clauses, under which the occurrence of a

default event in respect of a specified financial liability (above a threshold level) of the issuer, the guarantor or, in some cases, “significant” subsidiaries constitutes a default in respect of the liabilities in question, which become immediately repayable.

The main covenants covering Enel’s hybrid bonds can be summarized as follows:

- > subordination clauses, under which each hybrid bond is subordinate to all other bonds issued by the company and has the same seniority with all other hybrid financial instruments issued, being senior only to equity instruments;
- > prohibition on mergers with other companies, the sale or leasing of all or a substantial part of the company’s assets to another company, unless the latter succeeds in all obligations of the issuer.

The main covenants envisaged in the loan contracts of Enel and Enel Finance International NV and the other Group companies can be summarized as follows:

- > negative pledge clauses, under which the borrower and, in some cases, the guarantor are subject to limitations on the establishment of mortgages, liens or other encumbrances on all or part of their respective assets, with the exception of expressly permitted encumbrances;
- > disposals clauses, under which the borrower and, in some cases, the guarantor may not dispose of their assets or operations, with the exception of expressly permitted disposals;
- > pari passu clauses, under which the payment undertakings of the borrower have the same seniority as its other unsecured and unsubordinated payment obligations;

- > change of control clauses, under which the borrower and, in some cases, the guarantor could be required to renegotiate the terms and conditions of the financing or make compulsory early repayment of the loans granted;
- > rating clauses, which provide for the borrower or the guarantor to maintain their rating above a certain specified level;
- > cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer or, in some cases, the guarantor constitutes a default in respect of the liabilities in question, which become immediately repayable.

In some cases the covenants are also binding for the significant companies or subsidiaries of the obligated parties.

All the financial borrowings considered specify “events of default” typical of international business practice, such as, for example, insolvency, bankruptcy proceedings or the entity ceases trading.

In addition, the guarantees issued by Enel in the interest of e-distribuzione SpA for certain loans to e-distribuzione SpA from Cassa Depositi e Prestiti SpA require that at the end of each six-month measurement period Enel’s net consolidated financial debt shall not exceed 4.5 times annual consolidated EBITDA.

Finally, the debt of Enel Américas SA and the other Latin American subsidiaries (notably Enel Generación Chile SA) contain covenants and events of default typical of international business practice.

The following table reports the impact on gross long-term debt of hedges established to mitigate exchange risk.

Long-term financial debt by hedged currency

Millions of euro

at Dec. 31, 2016

	Initial debt structure			Impact of hedge	Debt structure after hedging	
	Carrying amount	Nominal amount	%			
Euro	25,546	26,127	56.2%	12,220	38,347	82.5%
US dollar	9,879	9,978	21.5%	(6,889)	3,089	6.6%
Pound sterling	4,955	5,011	10.8%	(5,011)	-	-
Colombian peso	1,872	1,872	4.0%	-	1,872	4.0%
Brazilian real	1,088	1,098	2.4%	276	1,374	3.0%
Swiss franc	539	540	1.2%	(540)	-	-
Chilean peso/UF	490	501	1.1%	-	501	1.1%
Peruvian sol	437	437	0.9%	-	437	0.9%
Russian ruble	295	295	0.6%	112	407	0.9%
Japanese yen	255	255	0.5%	(255)	-	-
Other currencies	364	376	0.8%	87	463	1.0%
Total non-euro currencies	20,174	20,363	43.8%	(12,220)	8,143	17.5%
TOTAL	45,720	46,490	100.0%	-	46,490	100.0%

The amount of 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.

Millions of euro

2016

2015

	Pre-hedge		%	Post-hedge		%	Pre-hedge		%	Post-hedge		%
Floating rate	17,240	33.1%		14,667	28.1%		14,405	27.0%		11,055	20.7%	
Fixed rate	34,918	66.9%		37,491	71.9%		38,910	73.0%		42,260	79.3%	
Total	52,158			52,158			53,315			53,315		

At December 31, 2016, 33% of financial debt was floating rate (27% at December 31, 2015). Taking account of hedges of interest rates considered effective pursuant to the IFRS-EU, 28% of net financial debt (21% at December 31, 2015) was exposed to interest rate risk. Including interest rate derivatives treated as hedges for management purposes but

ineligible for hedge accounting, 72% of net financial debt was hedged (79% hedged at December 31, 2015).

These results are in line with the limits established in the risk management policy.

at Dec. 31, 2015

Initial debt structure			Impact of hedge	Debt structure after hedging	
Carrying amount	Nominal amount	%			
31,059	31,433	61.4%	12,770	44,203	86.4%
9,552	9,636	18.8%	(6,660)	2,976	5.8%
5,775	5,845	11.4%	(5,845)	-	-
1,358	1,358	2.7%	57	1,415	2.8%
875	880	1.7%	28	908	1.8%
534	535	1.0%	(535)	-	-
445	456	0.9%	230	686	1.3%
410	410	0.8%	(58)	352	0.7%
124	124	0.2%	235	359	0.7%
240	240	0.5%	(240)	-	-
233	242	0.5%	18	260	0.5%
19,546	19,726	38.6%	(12,770)	6,956	13.6%
50,605	51,159	100.0%	-	51,159	100.0%

41.3.2 Short-term borrowings - €5,372 million

At December 31, 2016 short-term borrowings amounted to €5,372 million, an increase of €3,217 million on December 31, 2015. They break down as follows.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Short-term bank borrowings	909	180	729
Commercial paper	3,059	213	2,846
Cash collateral on derivatives and other financing	1,286	1,698	(412)
Other short-term borrowings ⁽¹⁾	118	64	54
Short-term borrowings	5,372	2,155	3,217

(1) Does not include current financial debt included in other current financial liabilities.

Short-term bank borrowings amounted to €909 million. The payables represented by commercial paper relate to issues outstanding at the end of December 2016 in the context of the €6,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, which was renewed in April 2010, as well as the €3,000 million program of International Endesa BV and that

of Enel Américas and Enel Generación Chile of \$400 million (equal to €379 million).

At December 31, 2016 issues under these programs totaled €3,059 million, of which €2,127 million pertaining to Enel Finance International and €932 million to International Endesa BV.

41.4 Derivative financial liabilities

For more information on derivative financial liabilities, please see note 44 "Derivatives and hedge accounting".

41.5 Net gains and losses

The following table shows net gains and losses by category of financial instruments, excluding derivatives.

Millions of euro

	2016		2015	
	Net gains/ (losses)	Of which impairment/ reversal of impairment	Net gains/ (losses)	Of which impairment/ reversal of impairment
Available-for-sale financial assets measured at fair value	59	-	-	-
Available-for-sale financial assets measured at amortized cost	7	-	8	-
Held-to-maturity financial assets	(1)	-	7	-
Loans and receivables	(595)	(764)	149	-
Financial assets at FVTPL				
Financial assets held for trading	1	-	-	-
Financial assets designated upon initial recognition (fair value option)	(1)	-	5	-
Total financial assets at FVTPL	-	-	5	-
Financial liabilities measured at amortized cost	(1,873)	-	(3,900)	-
Financial liabilities at FVTPL				
Financial liabilities held for trading	-	-	-	-
Financial liabilities designated upon initial recognition (fair value option)	-	-	-	-
Total financial liabilities at FVTPL	-	-	-	-

For more details on net gains and losses on derivatives, please see note 10 "Net financial income/(expense) from derivatives".

42. Risk management

Financial risk management objectives and policies

As part of its operations, the Enel Group is exposed to a variety of financial risks, notably market risks (including interest rate risk, exchange risk and commodity risk), credit risk and liquidity risk.

The Group's governance arrangements for financial risk envisage:

- > specific internal committees, formed of members of the Group's top management and chaired by the CEO, which are responsible for strategic policy-making and oversight of risk management;
- > the establishment of specific policies set at both the Group level and at the level of individual Regions/Countries/global business lines, which define the roles and responsibilities for those involved in managing, monitoring and controlling risks, ensuring the organizational separation of units involved in managing the Group's business and those responsible for managing risk;
- > the specification of operational limits at both the Group level and at the level of individual Regions/Countries/global business lines for the various types of risk. These limits are monitored periodically by the risk management units.

Market risks

Market risk is the risk that the expected cash flows or the fair value of financial and non-financial assets and liabilities could change owing to changes in market prices.

Market risks are essentially composed of interest rate risk, exchange risk and commodity price risk.

Interest rate risk and exchange risk are primarily generated by the presence of financial instruments.

The main financial liabilities held by the Company include bonds, bank borrowings, other borrowings, commercial paper, derivatives, cash collateral for derivatives transactions, liabilities for construction contracts and trade payables.

The main purpose of those financial instruments is to finance the operations of the Group.

The main financial assets held by the Group include financial receivables, factoring receivables, derivatives, cash collateral for derivatives transactions, cash and cash equivalents, receivables for construction contracts and trade receivables. For more details, please see note 41 "Financial instruments".

The sources of exposure to interest rate risk and exchange risk did not change with respect to the previous year.

The nature of the financial risks to which the Group is exposed is such that changes in interest rates can cause an increase in net financial expense or adverse changes in the value of assets/liabilities measured at fair value.

The Group is also exposed to the risk that changes in the

exchange rates between the euro and the main foreign currencies could have an adverse impact on the value in euro of performance and financial aggregates denominated in foreign currencies, such as costs, revenue, assets and liabilities, as well as the consolidation values of equity investments denominated in currencies other than the euro (translation risk). As with interest rates, changes in exchange rates can cause variations in the value of financial assets and liabilities measured at fair value.

The Group's policies for managing market risks provide for the mitigation of the effects on performance of changes in interest rates and exchange rates with the exclusion of translation risk. This objective is achieved both at the source of the risk, through the strategic diversification of the nature of financial assets and liabilities, and by modifying the risk profile of specific exposures with derivatives entered into on over-the-counter markets (OTC).

The risk of fluctuations in commodity prices is generated by the volatility of those prices and existing structural correlations between them, which creates uncertainty about the margin on transactions in fuels and energy. Price developments are observed and analyzed in order to develop the Group's industrial, financial and commercial strategies and policies.

In order to contain the effects of such fluctuations and stabilize margins, Enel develops, in accordance with the

Group's policies and risk governance limits, strategies that impact the various stages of the industrial process associated with the production and sale of electricity and gas, such as advance sourcing and hedging, and plans and techniques for hedging financial risks with derivatives. The Group companies develop strategies for hedging the price risk arising from trading in commodities and, using financial instruments, reduce or eliminate market risk, sterilizing the variable components of price. If authorized, they can also engage in proprietary trading in the energy commodities used by the Group in order to monitor and enhance their understanding of the most relevant markets.

The organizational structure provides for a single entity to operate on behalf of the entire Group in sourcing fuels and selling electricity and gas on wholesale markets, as well as centralizing trading with the direct control of the units involved in that business, which as they also operate at the

local level can maintain effective relationships with the markets. The global business line cooperates with units of the holding company designated to steer, monitor and integrate global performance. In order to manage and control market risks associated with energy commodities, strengthening an integrated vision of our business and a geographical awareness of sales and trading operations is consistent with the global environment in which the Group operates, creating opportunities for improvement in both maximizing margins and governing risks.

As part of its governance of market risks, the Company regularly monitors the size of the OTC derivatives portfolio in relation to the threshold values set by regulators for the activation of clearing obligations (EMIR - European Market Infrastructure Regulation 648/2012 of the European Parliament). During 2016, no overshoot of those threshold values was detected.

Interest rate risk

Interest rate risk is the risk that the fair value or expected cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The main source of interest rate risk for the Enel Group is the presence of financial instruments. It manifests itself primarily as a change in the flows associated with interest payments on floating-rate financial liabilities, a change in financial terms and conditions in negotiating new debt instruments or as an adverse change in the value of financial assets/liabilities measured at fair value, which are typically fixed-rate debt instruments.

For more information, please see note 41 "Financial instruments".

The Enel Group manages interest rate risk through the definition of an optimal financial structure, with the dual goal of stabilizing borrowing costs and containing the cost of funds. This goal is pursued through the strategic diversification of the portfolio of financial liabilities by contract type, maturity and interest rate, and modifying the risk profile of specific exposures using OTC derivatives, mainly interest rate swaps and interest rate options. 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 hedged position.

Proxy hedging techniques may be used in a number of residual circumstances, when the hedging instruments for the risk factors are not available on the market or are not suffi-

ciently liquid. For the purpose of EMIR compliance, in order to test the actual effectiveness of the hedging techniques adopted, the Group subjects its hedge portfolios to periodic statistical assessment.

Using interest rate swaps, the Enel Group agrees with the counterparty to periodically exchange floating-rate interest flows with fixed-rate flows, both calculated on the same notional principal amount.

Floating-to-fixed interest rate swaps transform floating-rate financial liabilities into fixed-rate liabilities, thereby neutralizing the exposure of cash flows to changes in interest rates. Fixed-to-floating interest rate swaps transform fixed-rate financial liabilities into floating-rate liabilities, thereby neutralizing the exposure of their fair value to changes in interest rates.

Floating-to-floating interest rate swaps permit the exchange of floating-rate interest flows based on different indexes. Some structured borrowings have multi-stage interest flows hedged by interest rate swaps that at the reporting date, and for a limited time, provide for the exchange of fixed-rate interest flows.

Interest rate options involve the exchange of interest differences calculated on a notional principal amount once certain thresholds (strike prices) are reached. These thresholds specify the effective maximum rate (cap) or the minimum rate (floor) on the debt as a result of the hedge. Hedging strategies can also make use of combinations of options

(collars) that establish the minimum and maximum rates at the same time. In this case, the strike prices are normally set so that no premium is paid on the contract (zero cost collars).

Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate options

are also considered most appropriate in periods of uncertainty about future interest rate developments because they make it possible to benefit from any decrease in interest rates.

The following table reports the notional amount of interest rate derivatives at December 31, 2016 and December 31, 2015 broken down by type of contract.

Millions of euro	Notional amount	
	2016	2015
Floating-to-fixed interest rate swaps	11,526	10,910
Fixed-to-floating interest rate swaps	853	853
Fixed-to-fixed interest rate swaps	-	-
Floating-to-floating interest rate swaps	165	180
Interest rate options	50	50
Total	12,594	11,993

For more details on interest rate derivatives, please see note 44 "Derivatives and hedge accounting".

Interest rate risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and on equity of market scenarios that would cause a change in the fair value of derivatives or in the

financial expense associated with unhedged gross debt.

These scenarios are represented by parallel increases and decreases in the yield curve as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the Group's profit before tax would be affected by a change in the level of interest rates as follows.

Millions of euro		2016			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Basis points	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term floating-rate debt after hedging	25	22	(22)	-	-
Change in fair value of derivatives classified as non-hedging instruments	25	7	(7)	-	-
Change in fair value of derivatives designated as hedging instruments					
Cash flow hedges	25	-	-	188	(188)
Fair value hedges	25	(6)	6	-	-

Exchange risk

Exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

For the companies of the Enel Group, the main source of

exchange risk is the presence of financial instruments and cash flows denominated in a currency other than its currency of account and/or functional currency.

More specifically, exchange risk is mainly generated with the following transaction categories:

- > debt denominated in currencies other than the currency of account or the functional currency entered into by the holding company or the individual subsidiaries;
- > cash flows in respect of the purchase or sale of fuel or electricity on international markets;
- > cash flows in respect of investments in foreign currency, dividends from unconsolidated foreign companies or the purchase or sale of equity investments.

The sources of exposure to exchange risk did not change with respect to the previous year.

For more details, please see note 41 "Financial instruments."

In order to minimize this risk, the Group normally uses a variety of over-the-counter (OTC) derivatives such as cross currency interest rate swaps, currency forwards and currency swaps.

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 offsets the corresponding change in the fair value and/or cash flows of the hedged position.

Cross currency interest rate swaps are used to transform a

long-term financial liability in foreign currency into an equivalent liability in the currency of account or functional currency of the company holding the 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 rates observed in a given period.

Currency swaps are contracts in which the counterparties enter into two transactions of the opposite sign at different future dates (normally one spot, the other forward) that provide for the exchange of principal denominated in different currencies.

The following table reports the notional amount of transactions outstanding at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

Millions of euro	Notional amount	
	2016	2015 restated
Cross currency interest rate swaps (CCIRSs) hedging debt denominated in currencies other than the euro	14,973	15,812
Currency forwards hedging exchange risk on commodities	2,887	4,334
Currency forwards hedging future cash flows in currencies other than the euro	6,036	4,079
Currency swaps hedging commercial paper	-	-
Currency forwards hedging loans	-	181
Other currency forwards	1,014	262
Total	24,910	24,668

More specifically, these include:

- > CCIRSs with a notional amount of €14,973 million to hedge the exchange risk on debt denominated in currencies other than the euro (€15,812 million at December 31, 2015);
- > currency forwards with a total notional amount of €8,923 million used to hedge the exchange risk associated with purchases and sales of natural gas, purchases of fuel and expected cash flows in currencies other than the euro (€8,413 million at December 31, 2015);
- > other currency forwards which include OTC derivatives transactions carried out to mitigate exchange risk on ex-

pected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters).

At December 31, 2016, 44% (39% at December 31, 2015) of Group long-term debt was denominated in currencies other than the euro.

Taking account of hedges of exchange risk, the percentage of debt not hedged against that risk amounted to 18% at December 31, 2016 (13% at December 31, 2015).

Exchange risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in exchange rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross medium/long-term debt.

These scenarios are represented by the appreciation/depreciation of the euro against all of the foreign currencies compared with the value observed as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the profit before tax would be affected as follows.

Millions of euro		2016			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Exchange rate	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term debt denominated in currencies other than the euro after hedging	10%	-	-	-	-
Change in fair value of derivatives classified as non-hedging instruments	10%	227	(277)	-	-
Change in fair value of derivatives designated as hedging instruments					
Cash flow hedges	10%	-	-	(1,787)	2,184
Fair value hedges	10%	-	-	-	-

Commodity risk

The Group is exposed to the risk of fluctuations in the price of commodities mainly associated with the purchase of fuel for power plants and the purchase and sale of natural gas under indexed contracts, as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on the electricity spot market).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold by the Group, Enel mainly uses fixed-price contracts in the form of bilateral physical contracts and financial contracts (e.g. contracts for differences, VPP contracts, etc.) in which differences are paid to the counterparty if the market electricity price exceeds the strike price and to Enel in the opposite case. The residual exposure in respect of the sale of energy on the spot market not hedged with such contracts is aggregated by uniform risk factors that can be managed with hedging transactions on the market. Proxy hedging techniques may be used for the industrial portfolios when the hedging instruments for the risk factors generating the exposure are not available on the market or are not sufficiently liquid, while portfolio hedging techniques can be used to assess opportunities for netting intercompany flows.

The Group mainly uses plain vanilla derivatives for hedging

(more specifically, forwards, swaps, options on commodities, futures, contracts for differences).

Enel also engages in proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations, which are performed only by Group companies expressly authorized to do so under corporate policies, consist in taking on exposures in energy commodities (oil products, gas, coal, CO₂ certificates and electricity in the main European countries) using financial derivatives and physical contracts traded on regulated and over-the-counter markets, exploiting profit opportunities through arbitrage transactions carried out on the basis of expected market developments.

The commodity risk management processes established at the Group level are designed to constantly monitor developments in risk over time and to determine whether the risk levels, as observed for specific analytical dimensions (for example, geographical areas, organizational structures, business lines, etc.), comply with the thresholds consistent with the risk appetite established by top management. These operations are conducted within the framework of formal governance rules that establish strict risk limits. Compliance with the limits is verified daily by units that are independent of those undertaking the transactions. Positions are monitored monthly, assessing the Profit at Risk, in the case of

industrial portfolios, and daily, calculating Value at Risk, in the case of the trading book.

The risk limits for Enel's proprietary trading are set in terms of Value at Risk over a 1-day time horizon and a confidence level of 95%; the Group limit for 2016 is equal to €15 million.

The following table reports the notional amount of outstanding transactions at December 31, 2016 and December 31, 2015, broken down by type of instrument.

Millions of euro	Notional amount	
	2016	2015
Forward and futures contracts	28,197	30,791
Swaps	6,195	5,904
Options	308	340
Embedded derivatives	-	-
Total	34,700	37,035

For more details, please see note 44 "Derivatives and hedge accounting".

Commodity risk sensitivity analysis

The following table presents the results of the analysis of sensitivity to a reasonably possible change in the commodity prices underlying the valuation model used in the scenario at the same date, with all other variables held constant. The analysis assesses the impact of shifts in the commodity price curve of +10% and -10%.

The impact on pre-tax profit is mainly attributable to the change in the price of electricity and, to a lesser extent, gas and petroleum products. The impact on equity is almost entirely due to changes in the prices of coal and electricity. The Group's exposure to changes in the prices of other commodities is not material.

Millions of euro		2016			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Commodity price	Increase	Decrease	Increase	Decrease
Change in the fair value of trading derivatives on commodities	10%	(16)	33	-	-
Change in the fair value of derivatives on commodities designated as hedging instruments	10%	-	-	52	(54)

Credit risk

The Group's commercial, commodity and financial operations expose it to credit risk, i.e. the possibility that an unexpected change in the creditworthiness of a counterparty could have an effect on the creditor position, in terms of insolvency (default risk) or changes in its market value (spread risk).

In recent years, in view of the instability and uncertainty that have affected the financial markets and an economic crisis of global proportions, average collection times have trended upwards. In order to minimize credit risk, credit exposures are managed at the Region/Country/business line level by different units, thereby ensuring the necessary segregation of risk management and control activities. Monitoring the

consolidated exposure is carried out by Enel SpA.

In particular, the policy for managing credit and the associated risks provides for the assessment of the creditworthiness of the main counterparties, the adoption of risk mitigation tools, such as secured and unsecured guarantees and standardized contractual frameworks in specific business areas, and the analysis of credit exposures.

In addition, at the Group level the policy provides for the use of uniform criteria – in all the main Regions/Countries/global business lines and at the consolidated level – in measuring commercial credit exposures in order to promptly identify any deterioration in the quality of outstanding receivables and any mitigation actions to be taken.

As regards the credit risk associated with commodity transactions, a uniform counterparty assessment system is used at the Group level, with local level implementation. Risk limits defined by the appropriate units of the Regions/Countries/global business lines have been applied and monitored.

For the credit risk generated by financial transactions, including those in derivatives, risk is minimized by selecting counterparties with high standing from among leading national and international financial institutions, diversifying the portfolio, entering into margin agreements that call for the exchange of cash collateral and/or using netting arrangements. An internal assessment system was used again in 2016 to apply and monitor operational limits for credit risk, approved by the Group Financial Risk Committee in respect of financial counterparties at the Region/Country/global business line level and at the consolidated level.

To manage credit risk even more effectively, for a number of years the Group has carried out non-recourse assignments of receivables, which have mainly involved specific seg-

ments of the commercial portfolio and, to a lesser extent, invoiced receivables and receivables to be invoiced of companies operating in other segments of the electricity industry than retail sales.

All of the above transactions are considered non-recourse transactions for accounting purposes and therefore involved the full derecognition of the corresponding assigned assets from the balance sheet, as the risks and rewards associated with them have been transferred.

Concentration of customer credit risk

Trade receivables are generated by the Group's operations in many regions and countries (Italy, Spain, Latin America, Romania, Russia, North America, etc.) with a base of customers and counterparties that is highly diversified, whether geographically, sectorally (industrial companies, energy companies, communications, government entities, enterprises in retail trade, tourism, consumer goods, etc.) or by size (large corporate, small and medium-sized enterprises, residential customers). Through its subsidiaries, Enel has more than 60 million customers or counterparties with whom it has generally granular credit exposures.

Financial assets past due but not impaired

Millions of euro	2016	2015
Impaired trade receivables	2,027	2,085
Not past due and not impaired trade receivables	10,006	8,520
Past due but not impaired trade receivables:	3,500	4,277
- less than 3 months	1,350	1,696
- from 3 months to 6 months	288	505
- from 6 months to 12 months	334	588
- from 12 months to 24 months	500	386
- more than 24 months	1,028	1,102
Total	15,533	14,882

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The objectives of liquidity risk management policies are:

- > ensuring an appropriate level of liquidity for the Group, minimizing the associated opportunity cost;
- > maintaining a balanced debt structure in terms of the maturity profile and funding sources.

In the short term, liquidity risk is mitigated by maintaining

an appropriate level of unconditionally available resources, including liquidity and short-term deposits, available committed credit lines and a portfolio of highly liquid asset.

In the long term, liquidity risk is mitigated by maintaining a balanced maturity profile for our debt, access to a range of sources of funding on different markets, in different currencies and with diverse counterparties.

The Group holds the following undrawn lines of credit.

Millions of euro	at Dec. 31, 2016		at Dec. 31, 2015	
	Expiring within one year	Expiring beyond one year	Expiring within one year	Expiring beyond one year
Committed credit lines	176	14,214	377	13,042
Uncommitted credit lines	448	19	648	-
Commercial paper	6,320	-	9,153	-
Total	6,944	14,234	10,178	13,042

Committed credit lines amounted to €14,390 million at the Group level, with €14,214 million expiring after 2017. Total available resources came to €21,178 million, of which €6,320 million in commercial paper.

In May 2016 Enel Finance International NV carried out an offer to exchange seven euro-denominated bonds maturing between 2017 and 2023 with a new euro-denominated issue

maturing at 10 years in the nominal amount of €1,257 million, paying a coupon of 1.375%.

The transaction was part of EFI's liability management program begun in the final Quarter of 2014 in order to actively manage maturities and the Group's funding costs.

For more information, please see note 41 "Financial instruments" in this report.

Maturity analysis

The table below summarizes the maturity profile of the Group's long-term debt.

Millions of euro	Maturing in						
	Less than 3 months	From 3 months to 1 year	2018	2019	2020	2021	Beyond
Bonds:							
- listed, fixed rate	11	1,572	4,709	2,086	2,200	1,368	13,824
- listed, floating rate	214	162	797	322	124	135	1,566
- unlisted, fixed rate	-	1,422	-	1,655	-	-	2,542
- unlisted, floating rate	-	65	66	248	27	111	621
Total bonds	225	3,221	5,572	4,311	2,351	1,614	18,553
Bank borrowings:							
- fixed rate	24	128	296	192	214	67	357
- floating rate	91	506	812	827	704	643	3,319
- use of revolving credit lines	-	-	15	-	-	-	-
Total bank borrowings	115	634	1,123	1,019	918	710	3,676
Non-bank borrowings:							
- fixed rate	36	123	169	141	155	129	795
- floating rate	23	7	9	9	10	9	63
Total non-bank borrowings	59	130	178	150	165	138	858
TOTAL	399	3,985	6,873	5,480	3,434	2,462	23,087

Commitments to purchase commodities

In conducting its business, the Enel Group has entered into contracts to purchase specified quantities of commodities at a certain future date for its own use, which qualify for the own use exemption provided for under IAS 39.

The following table reports the undiscounted cash flows associated with outstanding commitments at December 31, 2016.

Millions of euro

	at Dec. 31, 2016	2015-2019	2020-2024	2025-2029	Beyond
Commitments to purchase commodities:					
- electricity	63,407	18,996	12,827	10,703	20,881
- fuels	47,305	28,251	11,646	5,980	1,428
Total	110,712	47,247	24,473	16,683	22,309

43. Offsetting financial assets and financial liabilities

At December 31, 2016, the Group did not hold offset positions in assets and liabilities, as it is not the Enel Group's policy to settle financial assets and liabilities on a net basis.

44. Derivatives and hedge accounting

The following tables show the notional amount and the fair value of derivative financial assets and derivative financial liabilities eligible for hedge accounting or measured at FVTPL, classified on the basis of the type of hedge relationship and the hedged risk, broken down into current and non-current instruments.

The notional amount of a derivative contract is the amount on the basis of which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted at the end-year exchange rates provided by the European Central Bank.

	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Fair value hedge derivatives:								
- on interest rates	848	868	36	46	20	15	1	-
Total	848	868	36	46	20	15	1	-
Cash flow hedge derivatives:								
- on interest rates	379	7,090	3	116	17	25	-	1
- on exchange rates	8,057	13,554	1,531	2,163	3,561	2,921	464	280
- on commodities	99	37	18	5	1,869	1,093	453	326
Total	8,535	20,681	1,552	2,284	5,447	4,039	917	607
Trading derivatives:								
- on interest rates	50	50	3	2	-	-	-	-
- on exchange rates	120	102	7	5	3,246	2,064	70	63
- on commodities	69	53	11	6	15,539	16,488	2,957	4,403
Total	239	205	21	13	18,785	18,552	3,027	4,466
TOTAL DERIVATIVE FINANCIAL ASSETS	9,622	21,754	1,609	2,343	24,252	22,606	3,945	5,073

Millions of euro

Non-current

Current

	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Fair value hedge derivatives:								
- on interest rates	-	-	-	-	-	-	-	-
- on exchange rates	106	-	15	-	7	-	1	-
- on commodities	-	-	-	-	4	-	-	-
Total	106	-	15	-	11	-	1	-
Cash flow hedge derivatives:								
- on interest rates	11,042	3,643	695	459	31	95	1	2
- on exchange rates	5,686	1,991	1,764	1,006	457	673	88	96
- on commodities	352	187	36	12	1,096	2,028	216	677
Total	17,080	5,821	2,495	1,477	1,584	2,796	305	775
Trading derivatives:								
- on interest rates	88	107	13	16	119	100	73	65
- on exchange rates	37	140	5	18	3,633	3,223	62	43
- on commodities	64	93	4	7	15,608	17,056	2,881	4,626
Total	189	340	22	41	19,360	20,379	3,016	4,734
TOTAL DERIVATIVE FINANCIAL LIABILITIES	17,375	6,161	2,532	1,518	20,955	23,175	3,322	5,509

44.1 Derivatives designated as hedging instruments

Derivatives are initially recognized at fair value, at the trade date of the contract, and are subsequently re-measured at fair value.

The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedge accounting is applied to derivatives entered into in order to reduce risks such as interest rate risk, exchange risk, commodity risk, credit risk and equity risk when all the criteria provided for under IAS 39 are met.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Group also analyzes, both at hedge inception and on an ongoing systematic basis, the effectiveness of hedges using prospective and retrospective tests in order to determine whether hedging instruments are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Depending on the nature of the risks to which it is exposed, the Group designates derivatives as hedging instruments in one of the following hedge relationships:

- > cash flow hedge derivatives in respect of the risk of: i) changes in the cash flows associated with long-term floating-rate debt; ii) changes in the exchange rates associated with long-term debt denominated in a currency other than the currency of account or the functional currency in which the company holding the financial liability operates; iii) changes in the price of fuels and non-energy commodities denominated in a foreign currency; iv) changes in the price of forecast electricity sales at variable prices; and v) changes in the price of transactions in coal and petroleum commodities;
- > fair value hedge derivatives involving the hedging of exposures to changes in the fair value of an asset, a liability or a firm commitment attributable to a specific risk;
- > derivatives hedging a net investment in a foreign operation (NIFO), involving the hedging of exposures to exchange rate volatility associated with investments in foreign entities.

For more details on the nature and the extent of risks arising from financial instruments to which the Company is exposed, please see note 42 "Risk management".

Cash flow hedges

Cash flow hedges are used in order to hedge the Group's exposure to changes in future cash flows that are attributable to

a particular risk associated with an asset, a liability or a highly probable transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting but the hedged item has not expired or been cancelled, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

The Group currently uses these hedge relationships to minimize the volatility of profit or loss.

Fair value hedges

Fair value hedges are used to protect the Group against exposures to adverse changes in the fair value of assets, liabilities or firm commitments attributable to a particular risk that could affect profit or loss.

Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedge is ineffective or no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

The Group currently makes marginal use of such hedge relationships to seize opportunities associated with general developments in the yield curve.

44.1.1 Hedge relationships by type of risk hedged

Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk of

transactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro		Fair value		Notional amount	
Hedging instrument	Hedged item	at Dec. 31, 2016		at Dec. 31, 2015	
		Fair value	Notional amount	Fair value	Notional amount
Interest rate swaps	Fixed-rate borrowings	35	853	44	853
Interest rate swaps	Floating-rate borrowings	(691)	11,484	(342)	10,883
Total		(656)	12,337	(298)	11,736

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at De-

cember 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro		Notional amount		Fair value assets		Notional amount		Fair value liabilities	
		at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Fair value hedge derivatives:									
- interest rate swaps		868	883	37	46	-	-	-	-
Cash flow hedge derivatives:									
- interest rate swaps		396	7,115	3	117	11,073	3,738	(696)	(461)
Total interest rate derivatives		1,264	7,998	40	163	11,073	3,738	(696)	(461)

The notional amount of derivatives classified as hedging instruments at December 31, 2016 came to €12,337 million, with a corresponding negative fair value of €656 million. The notional amount rose by €601 million. More specifically, interest rate swaps with a total value of €110 million expired, while new derivatives amounted to €954 million, of which €900 million associated with the pre-hedge strategy implemented

in 2015 for the future refinancing of bond issues maturing between 2019 and 2020, in order to fix the cost of future funding in advance. The value also reflected the reduction in the notional amount of amortizing interest rate swaps.

The deterioration in the fair value of €358 million mainly reflects the general decline in the yield curve during the year.

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on interest rate risk.

Millions of euro		Fair value		Distribution of expected cash flows				
		at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
Cash flow hedge derivatives on interest rates:								
- positive fair value		3	(2)	1	2	2	1	-
- negative fair value		(696)	(91)	(100)	(115)	(121)	(106)	(202)

The following table shows the impact of reserves from cash flow hedge derivatives on interest rate risk on equity during the period, gross of tax effects.

Millions of euro

Opening balance at January 1, 2015	(641)
Changes in fair value recognized in equity (OCI)	13
Changes in fair value recognized in profit or loss	186
Closing balance at December 31, 2015	(442)
Opening balance at January 1, 2016	(442)
Changes in fair value recognized in equity (OCI)	(361)
Changes in fair value recognized in profit or loss	35
Closing balance at December 31, 2016	(768)

Exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on the exchange risk of transactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
		at Dec. 31, 2016		at Dec. 31, 2015 restated	
Hedging instrument	Hedged asset				
Cross currency interest rate swaps (CCIRSs)	Fixed-rate borrowings	148	13,988	1,170	15,078
Cross currency interest rate swaps (CCIRSs)	Floating-rate borrowings	(16)	650	25	401
Cross currency interest rate swaps (CCIRSs)	Future cash flows denominated in foreign currencies	(69)	335	(102)	306
Currency forwards	Future commodity purchases denominated in foreign currencies	120	2,091	244	3,058
Currency forwards	Future cash flows denominated in foreign currencies	1	38	(1)	59
Currency forwards	Purchases of investment goods	(57)	772	5	237
Total		127	17,874	1,341	19,139

Cash flow hedges and fair value hedges include:

- > CCIRSs with a notional amount of €13,988 million used to hedge the exchange risk on fixed-rate debt denominated in currencies other than the euro, with a positive fair value of €148 million;
- > CCIRSs with a notional amount of €985 million used to hedge the exchange risk on floating-rate debt denominated in currencies other than the euro, with a negative fair value of €85 million;
- > currency forwards with a notional amount of €2,129 million used to hedge the exchange risk associated with

purchases of natural gas, purchases of fuel and expected cash flows in currencies other than the euro, with a fair value of €121 million;

- > currency forwards with a notional amount of €772 million and a negative fair value of €57 million in respect of OTC transactions to mitigate the exchange risk on expected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters).

The following table reports the notional amount and fair value of foreign exchange derivatives at December 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Fair value hedge derivatives:								
- currency forwards	-	-	-	-	7	-	(1)	-
- CCIRSs	-	-	-	-	106	-	(15)	-
Cash flow hedge derivatives:								
- currency forwards	2,521	2,927	141	256	373	427	(76)	(8)
- CCIRSs	9,097	13,548	1,854	2,187	5,770	2,237	(1,776)	(1,094)
Total exchange derivatives	11,618	16,475	1,995	2,443	6,256	2,664	(1,868)	(1,102)

The notional amount of CCIRSs at December 31, 2016 amounted to €14,973 million (€15,785 million at December 31, 2015), a decrease of €812 million. Cross currency interest rate swaps with a total value of €181 million expired, while new derivatives amounted to €274 million. The value also reflects developments in the exchange rate of the euro against the main other currencies, which caused their notional amount to increase by €719 million.

The notional value of currency forwards at December 31, 2016 amounted to €2,894 million (€3,354 million at December 31, 2015), a decrease of €460 million. The exposure to exchange risk, especially that associated with the US dollar, is mainly due to purchases of natural gas and purchase of fuel. Changes in the notional amount are connected with normal developments in operations.

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on exchange risk.

Millions of euro	Fair value		Distribution of expected cash flows				
	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
Cash flow hedge derivatives on exchange rates:							
- positive fair value	1,995	657	221	689	117	106	2,120
- negative fair value	(1,852)	(205)	(111)	(333)	(52)	(65)	(727)

The following table shows the impact of reserves from cash flow hedge derivatives on exchange risk on equity during the period, gross of tax effects.

Milioni di euro	
Opening balance at January 1, 2015	(1,109)
Changes in fair value recognized in equity (OCI)	753
Changes in fair value recognized in profit or loss	(258)
Closing balance at December 31, 2015	(614)
Opening balance at January 1, 2016	(614)
Changes in fair value recognized in equity (OCI)	(422)
Changes in fair value recognized in profit or loss	(230)
Changes in fair value recognized in profit or loss - ineffective portion	2
Closing balance at December 31, 2016	(1,264)

Commodity risk

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Fair value hedge derivatives								
Derivatives on power:								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	-	-	-	-	4	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on power	-	-	-	-	4	-	-	-
Cash flow hedge derivatives								
Derivatives on power:								
- swaps	21	79	5	10	4	86	-	(4)
- forwards/futures	87	59	10	3	590	175	(66)	(51)
- options	-	-	-	-	-	-	-	-
Total derivatives on power	108	138	15	13	594	261	(66)	(55)
Derivatives on coal:								
- swaps	380	6	247	-	1	978	-	(182)
- forwards/futures	-	-	-	-	-	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on coal	380	6	247	-	1	978	-	(182)
Derivatives on gas and oil:								
- swaps	161	67	44	35	13	150	(2)	(49)
- forwards/futures	1,259	715	149	270	744	772	(180)	(402)
- options	-	-	-	-	-	-	-	-
Total derivatives on gas and oil	1,420	782	193	305	757	922	(182)	(451)
Derivatives on CO₂:								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	60	204	16	13	96	54	(4)	(1)
- options	-	-	-	-	-	-	-	-
Total derivatives on CO₂	60	204	16	13	96	54	(4)	(1)
TOTAL DERIVATIVES ON COMMODITIES	1,968	1,130	471	331	1,452	2,215	(252)	(689)

The table reports the notional amount and fair value of derivatives hedging the price risk on commodities at December 31, 2016 and at December 31, 2015, broken down by type of hedge. The developments in the fair value reflect the positive impact of the increase in the forward prices of fuels as of December 31, 2016 compared with those prevailing at the time the hedges were established.

The positive fair value of cash flow hedge derivatives on commodities mainly regards hedges of coal purchases requested by the generation companies in the amount of €247

million, derivatives transactions on gas and oil commodities amounting to €193 million and, marginally, derivatives on power and CO₂ totaling €31 million.

Cash flow hedge derivatives on commodities with a negative fair value regard derivatives on gas and oil commodities amounting to €182 million and derivatives on power and CO₂ amounting to €70 million. The first category primarily regards hedges of fluctuations in the price of natural gas, for both purchases and sales, carried out for oil commodities and gas products with physical delivery (all-in-one hedges).

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on commodity risk.

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
Cash flow hedge derivatives on commodities:							
- positive fair value	471	453	4	9	5	-	-
- negative fair value	(252)	(216)	(36)	-	-	-	-

The following table shows the impact of reserves from cash flow hedge derivatives on commodity risk on equity during the period, gross of tax effects.

Millions of euro	
Opening balance at January 1, 2015	(248)
Changes in fair value recognized in equity (OCI)	(649)
Changes in fair value recognized in profit or loss	275
Closing balance at December 31, 2015	(622)
Opening balance at January 1, 2016	(622)
Changes in fair value recognized in equity (OCI)	137
Changes in fair value recognized in profit or loss	830
Closing balance at December 31, 2016	345

44.2 Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 2016 and December 31, 2015.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015 restated	at Dec. 31, 2016	at Dec. 31, 2015 restated	at Dec. 31, 2016	at Dec. 31, 2015 restated	at Dec. 31, 2016	at Dec. 31, 2015 restated
Derivatives at FVTPL								
Derivatives on interest rates:								
- interest rate swaps	50	50	3	2	157	157	(79)	(75)
- interest rate options	-	-	-	-	50	50	(7)	(6)
Derivatives on exchange rates:								
- currency forwards	3,366	2,166	77	68	3,670	3,335	(67)	(61)
- CCIRs	-	-	-	-	-	28	-	-
Derivatives on commodities								
Derivatives on power:								
- swaps	1,105	796	163	73	1,169	714	(172)	(60)
- forwards/futures	5,820	5,994	1,005	421	5,705	5,879	(1,033)	(398)
- options	16	7	14	-	23	14	(9)	-
Total derivatives on power	6,941	6,797	1,182	494	6,897	6,607	(1,214)	(458)
Derivatives on coal:								
- swaps	1,077	881	387	246	1,069	930	(409)	(291)
- forwards/futures	103	76	15	14	93	24	(2)	(10)
- options	-	-	-	-	1	2	(1)	(7)
Total derivatives on coal	1,180	957	402	260	1,163	956	(412)	(308)
Derivatives on gas and oil:								
- swaps	616	531	205	1,538	572	675	(109)	(1,592)
- forwards/futures	6,591	7,958	941	1,860	6,648	8,555	(853)	(1,975)
- options	125	133	177	236	143	184	(245)	(288)
Total derivatives on gas and oil	7,332	8,622	1,323	3,634	7,363	9,414	(1,207)	(3,855)
Derivatives on CO₂:								
- swaps	-	-	-	-	6	11	(3)	(5)
- forwards/futures	155	165	61	21	243	161	(49)	(7)
- options	-	-	-	-	-	-	-	-
Total derivatives on CO₂	155	165	61	21	249	172	(52)	(12)
Embedded derivatives	-	-	-	-	-	-	-	-
TOTAL DERIVATIVES	19,024	18,757	3,048	4,479	19,549	20,719	(3,038)	(4,775)

At December 31, 2016 the notional amount of trading derivatives on interest rates came to €257 million. The fair value of a negative €83 million deteriorated by €4 million on the previous year, mainly due to the general decline in the yield curve.

At December 31, 2016, the notional amount of derivatives on exchange rates was €7,036 million. The increase in their notional value and the associated net fair value of €3 million mainly reflected normal operations and developments in exchange rates.

At December 31, 2016, the notional amount of derivatives on commodities came to €31,280 million. The figures for 2015 have been restated to enable comparison with those for 2016 following the adoption of new classification criteria with regard to vessel leasing (now included in derivatives on coal) and structured products. The fair value of trading derivatives on commodities classified as assets mainly reflects the market valuation of hedges of gas and oil amounting to €1,323 million and derivatives on power amounting to €1,182 million.

The fair value of trading derivatives on commodities classified as liabilities mainly regards hedges of gas and oil amounting to €1,207 million and derivatives on power amounting to €1,214 million.

These values include transactions that, although established for hedging purposes, did not meet the requirements for hedge accounting.

45. Assets measured at fair value

The Group determines fair value in accordance with IFRS 13 whenever such measurement is required by the international accounting standards as a recognition or measurement criterion. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The best proxy of fair value is market price, i.e. the current publicly available price actually used on a liquid and active market.

The fair value of assets and liabilities is classified in accordance with the three-level hierarchy described below, depending on the inputs and valuation techniques used in determining their fair value:

- > Level 1, where the fair value is determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- > Level 2, where the fair value is determined on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices);

- > Level 3, where the fair value is determined on the basis of unobservable inputs.

This note also provides detailed disclosures concerning the valuation techniques and inputs used to perform these measurements.

To that end:

- > recurring fair value measurements of assets or liabilities are those required or permitted by the IFRS in the balance sheet at the close of each period;
- > non-recurring fair value measurements are those required or permitted by the IFRS in the balance sheet in particular circumstances.

For general information or specific disclosures on the accounting treatment of these circumstances, please see note 2 "Accounting policies and measurement criteria".

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the financial statements, the fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro	Notes	Fair value	Non-current assets			Fair value	Current assets		
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Equity investments in other companies measured at fair value	24	146	142	-	4	-	-	-	-
Service concession arrangements	24	1,022	-	1,022	-	-	-	-	-
Securities available for sale	24.1 and 28.1	440	440	-	-	35	35	-	-
Securities held for trading and financial investments in funds or portfolio management products	28.1 and 30	-	-	-	-	73	11	62	-
Cash flow hedge derivatives:									
- on interest rates	44	3	-	3	-	-	-	-	-
- on exchange rates	44	1,531	-	1,531	-	464	-	464	-
- on commodities	44	18	14	4	-	453	235	218	-
Fair value hedge derivatives:									
- on interest rates	44	36	-	36	-	1	-	1	-
Trading derivatives:									
- on interest rates	44	3	-	3	-	-	-	-	-
- on exchange rates	44	7	-	7	-	70	-	70	-
- on commodities	44	11	3	8	-	2,957	1,403	1,554	-
Inventories measured at fair value	26	-	-	-	-	14	14	-	-
Assets classified as held for sale	31	-	-	-	-	11	-	-	11

The fair value of “equity investments in other companies measured at fair value” is determined for listed companies on the basis of the quoted price set on the closing date of the year, while that for unlisted companies is based on a reliable valuation of the relevant assets and liabilities.

“Service concession arrangements” concern electricity distribution operations in Brazil by Ampla and Coelce and are accounted for in accordance with IFRIC 12. Fair value was estimated as the net replacement cost based on the most recent rate information available and on the general price index for the Brazilian market.

The fair value of derivative contracts is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on a regulated market 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 and translating amounts in currencies other than the euro using exchange rates provided by the European Central Bank. For contracts involving commodities, the measurement is conducted using prices, where available, for the same instruments on both regulated and unregulated markets.

In accordance with the new international accounting standards, in 2013 the Group included a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk. More specifically, the Group measures CVA/DVA using a Potential Future Exposure valuation technique for the net exposure of the position and subsequently allocating the adjustment to the individual financial instruments that make up the overall portfolio. All of the inputs used in this technique are observable on the market.

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 euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted into euros at the year-end exchange rates provided by the European Central Bank.

The notional amounts of derivatives reported here do not necessarily represent amounts exchanged between the parties and therefore are not a measure of the Group’s credit risk exposure. For listed debt instruments, the fair value is given by official prices. For unlisted instruments the fair value is determined using appropriate valuation techniques for each category of financial instrument and market data at the closing date of the year, including the credit spreads of Enel SpA.

45.1 Fair value of other assets

For each class of assets not measured at fair value on a recurring basis but whose fair value must be reported, the following table reports the fair value at the end of the period

and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Investment property	18	137	-	-	137	-	-	-	-
Equity investments in other companies	24	8	-	-	8	-	-	-	-
Inventories	26	-	-	-	-	65	-	-	65

The table reports investment property, equity investments in other companies and inventories measured at cost, whose fair value has been estimated at €137 million and €8 million respectively. The amounts were calculated with the assistance of appraisals conducted by independent experts, who used different methods depending on the specific assets involved.

The value of equity investments classified in Level 3 increased by €1 million compared with 2015 and regards a number of equity investments of Endesa.

The value of inventories largely regards property not used in operations.

46. Liabilities measured at fair value

The following table reports for each class of liabilities measured at fair value on a recurring or non-recurring basis in the financial statements the fair value measurement at the end

of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro		Non-current liabilities				Current liabilities			
	Notes	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Cash flow hedge derivatives:									
- on interest rates	44	695	-	695	-	1	-	1	-
- on exchange rates	44	1,764	-	1,764	-	88	-	88	-
- on commodities	44	36	9	27	-	216	51	165	-
Fair value hedge derivatives:									
- on interest rates	44	-	-	-	-	-	-	-	-
- on exchange rates	44	15	-	15	-	1	-	1	-
- on commodities	44	-	-	-	-	-	-	-	-
Trading derivatives:									
- on interest rates	44	13	-	13	-	73	-	73	-
- on exchange rates	44	5	-	5	-	62	-	62	-
- on commodities	44	4	-	4	-	2,881	1,173	1,708	-
Contingent consideration	40	9	-	9	-	85	-	-	85
Payables for put options granted to minority shareholders	40	-	-	-	-	403	-	-	403
Liabilities included in disposal groups classified as held for sale	31	-	-	-	-	-	-	-	-

Contingent consideration regards a number of equity investments held by the Group in North America, whose fair value was determined on the basis of the contractual terms and conditions.

The item "payables for put options granted to minority shareholders" includes the liability for the options on Enel Distributie Muntenia and Enel Energie Muntenia, determined on the basis of the exercise conditions.

46.1 Fair value of other liabilities

For each class of liabilities not measured at fair value in the balance sheet but whose fair value must be reported, the following table reports the fair value at the end of the period

and the level in the fair value hierarchy into which the fair value measurements of those liabilities are classified.

Millions of euro					
	Notes	Fair value	Level 1	Level 2	Level 3
Bonds:					
- fixed rate	41.3.1	36,572	33,885	2,687	-
- floating rate	41.3.1	4,805	791	4,014	-
Bank borrowings:					
- fixed rate	41.3.1	1,372	-	1,372	-
- floating rate	41.3.1	7,202	-	7,202	-
Non-bank borrowings:					
- fixed rate	41.3.1	1,565	-	1,565	-
- floating rate	41.3.1	138	-	138	-
Total		51,654	34,676	16,978	-

47. Related parties

As an operator in the field of generation, distribution, transport and sale of electricity and the sale of natural gas, Enel carries out transactions with a number of companies directly

or indirectly controlled by the Italian State, the Group's controlling shareholder.

The table below summarizes the main types of transactions carried out with such counterparties.

Related party	Relationship	Nature of main transactions
Acquirente Unico - Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhanced protection market
Cassa Depositi e Prestiti Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market (Terna) Sale of electricity transport services (Eni Group) Purchase of transport, dispatching and metering services (Terna) Purchase of postal services (Poste Italiane) Purchase of fuels for generation plants and natural gas storage and distribution services (Eni Group)
GSE - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
GME - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange (GME) Purchase of electricity on the Power Exchange for pumping and plant planning (GME)
Leonardo Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods

In addition, the Group conducts essentially commercial transactions with associated companies or companies in which it holds minority interests.

Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Fondazione Enel and Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.

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

The following tables summarize transactions with related parties, associated companies and joint arrangements

outstanding at December 31, 2016 and December 31, 2015 and carried out during the period.

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Income statement						
Revenue from sales and services	46	1,486	2,190	468	90	-
Other revenue and income	-	1	1	4	3	-
Other financial income	-	-	17	-	-	-
Purchases of electricity, gas and fuel	3,169	1,769	1,319	2	-	-
Costs for services and other materials	-	75	2,259	4	139	-
Other operating expenses	3	309	-	-	-	-
Net income/(expense) from commodity risk management	-	-	5	-	-	-
Other financial expense	-	-	12	1	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Balance sheet						
Trade receivables	8	301	477	27	57	-
Other current financial assets	-	-	-	9	-	-
Other current assets	-	-	15	92	1	-
Derivative assets	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	6	-
Long-term borrowings	-	-	1,072	-	-	-
Trade payables	638	372	490	1,239	18	-
Other current liabilities	-	-	3	-	21	-
Current derivative liabilities	-	-	-	-	-	-
Current portion of long-term borrowings	-	-	89	-	-	-
Other information						
Guarantees issued	-	280	262	-	80	-
Guarantees received	-	-	261	-	32	-
Commitments	-	-	72	-	9	-

Total 2016	Associates and joint arrangements	Overall total 2016	Total in financial statements	% of total
4,280	270	4,550	68,604	6.6%
9	11	20	1,988	1.0%
17	4	21	2,289	0.9%
6,259	344	6,603	32,039	20.6%
2,477	100	2,577	17,393	14.8%
312	-	312	2,783	11.2%
5	24	29	(133)	-21.8%
13	26	39	4,339	0.9%

Total at Dec. 31, 2016	Associates and joint arrangements	Overall total at Dec. 31, 2016	Total in financial statements	% of total
870	88	958	13,506	7.1%
9	126	135	3,053	4.4%
108	1	109	3,044	3.6%
-	18	18	3,945	0.5%
6	17	23	1,856	1.2%
1,072	-	1,072	41,336	2.6%
2,757	164	2,921	12,688	23.0%
24	4	28	12,141	0.2%
-	11	11	3,322	0.3%
89	-	89	4,384	2.0%
622	-	622		
293	-	293		
81	-	81		

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Income statement						
Revenue from sales and services	-	2,468	2,730	195	115	-
Other revenue and income	-	-	5	290	16	-
Other financial income	-	-	-	-	-	-
Purchases of electricity, gas and fuel	3,695	1,553	1,600	3	26	-
Costs for services and other materials	1	91	2,169	11	60	-
Other operating expenses	3	-	48	-	3	-
Net income/(expense) from commodity risk management	-	-	(24)	-	-	-
Other financial expense	-	-	-	-	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Balance sheet						
Trade receivables	-	217	594	68	15	-
Other current financial assets	-	-	-	-	-	-
Other current assets	-	4	30	69	2	-
Other non-current liabilities	-	-	-	-	4	-
Long-term borrowings	-	-	1,161	-	-	-
Trade payables	620	373	598	1,256	27	-
Other current liabilities	-	-	9	-	4	-
Current portion of long-term borrowings	-	-	89	-	-	-
Other information						
Guarantees issued	-	280	253	-	1	-
Guarantees received	-	-	158	-	27	-
Commitments	-	-	23	-	14	-

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/investors/a201608-transactions-with-related-parties.html>) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in imple-

mentation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2016, 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 17221 of March 12, 2010, as amended with Resolution 17389 of June 23, 2010.

Total 2015	Associates and joint arrangements	Overall total 2015	Total in financial statements	% of total
5,508	75	5,583	73,076	7.6%
311	3	314	2,582	12.2%
-	15	15	1,563	1.0%
6,877	212	7,089	37,644	18.8%
2,332	99	2,431	16,457	14.8%
54	-	54	2,654	2.0%
(24)	-	(24)	168	-14.3%
-	29	29	4,969	0.6%

Total at Dec. 31, 2015	Associates and joint arrangements	Overall total at Dec. 31, 2015	Total in financial statements	% of total
894	43	937	12,797	7.3%
-	2	2	2,381	0.1%
105	30	135	2,898	4.7%
4	-	4	1,549	0.3%
1,161	-	1,161	44,872	2.6%
2,874	37	2,911	11,775	24.7%
13	1	14	11,222	0.1%
89	-	89	5,733	1.6%
534	-	534		
185	-	185		
37	-	37		

48. Contractual commitments and guarantees

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

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Guarantees given:			
- sureties and other guarantees granted to third parties	8,123	6,701	1,422
Commitments to suppliers for:			
- electricity purchases	63,407	48,733	14,674
- fuel purchases	47,305	64,114	(16,809)
- various supplies	1,309	1,725	(416)
- tenders	1,846	1,905	(59)
- other	3,751	2,895	856
Total	117,618	119,372	(1,754)
TOTAL	125,741	126,073	(332)

For more details on the expiry of commitments and guarantees, please see the section "Commitments to purchase commodities" in note 42.

49. Contingent liabilities and assets

The following reports the main contingent assets and liabilities at December 31, 2016, which are not recognized in the

Porto Tolle thermal plant - Air pollution - Criminal proceedings against Enel directors and employees

The Court of Adria, in a ruling issued on March 31, 2006, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and public authorities. Damages for a number of mainly private parties (individuals and environmental associations), were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (Ministry for the Environment, a number of public entities of Veneto and Emilia Romagna, including the area's park agencies) was postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due.

An appeal was lodged against the ruling of the Court of Adria and on March 12, 2009, the Court of Appeal of Venice partially reversed the lower court decision. It found that the former directors had not committed a crime and that there was no environmental damage and therefore ordered recovery of the provisional award already paid. The prosecutors and the civil claimants lodged an appeal against the ruling with the Court of Cassation. In a ruling on January 11, 2011, the Court of Cassation granted the appeal, overturning the decision of the Venice Court of Appeal, and referred the case to the civil section of the Venice Court of Appeal to rule as regards payment of damages and the division of such damages among the accused. As regards amounts paid to a number of public entities in Veneto, Enel has already made payment under a settlement agreement reached in 2008. With a suit lodged in July 2011, the Ministry for the Environment, the public entities of Emilia Romagna and the private actors who had already participated as injured parties in the criminal case asked the Venice Court of Appeal to order Enel SpA and Enel Produzione to pay civil damages for harm caused by the emissions from the Porto Tolle power

financial statements as they do not meet the requirements provided for in IAS 37.

station. The amount of damages requested for economic and environmental losses was about €100 million, which Enel contested. During 2013, an agreement was reached – with no admission of liability by Enel/Enel Produzione – with the public entities of Emilia Romagna to express social solidarity in line with the general sustainability policies of the Group. The suits with the Ministry and private parties (environmental associations and a number of resident individuals, who have received no payments from Enel during the proceedings) remain open. On July 10, 2014, the decision of the Venice Court of Appeal was filed ordering the defendants, jointly with Enel/Enel Produzione, to pay damages in the amount of €312,500, plus more than €55,000 in legal expenses. The Ministry's request for calculation of the amount of damages it claimed it was owed was deemed inadmissible, as grounds for barring such action arose in the course of the criminal proceedings. In the meantime the Court issued a general conviction with damages to be awarded in a separate decision and ordered payment of legal costs. Enel lodged an appeal with the Court of Cassation in February 2015 of the ruling of the Venice Court of Appeal of July 10, 2014 and is currently waiting for the date of the hearing to be set.

In August 2011, the Public Prosecutor's Office of Rovigo asked that a number of directors, former directors, officers, former officers and employees of Enel and Enel Produzione be remanded for trial on the charge of willful omission to take precautionary actions to prevent a disaster in respect of the alleged emissions from the Porto Tolle plant. Subsequently, the public prosecutor filed charges of willfully causing a disaster. During 2012, the pre-trial hearing judge of Rovigo, granting the request of the Public Prosecutor's Office of Rovigo, ordered the committal for trial of all of the accused for both offences. The Ministry for the Environment, the Ministry of Health and other actors, mainly local authorities in Emilia Romagna and Veneto, as well as the park agencies of the area, joined the case as injured parties, seeking unspecified damages from the above individuals, without citing Enel or Enel Produzione as liable parties. Evidence was submitted during 2013. During the year, as part of the agreement mentioned earlier, most of the public entities withdrew their suits.

At the hearing of March 31, 2014, the Court sitting en banc

issued its ruling of first instance, acquitting all of the accused of the charge of willful omission to take precautionary safety measures. The Court also acquitted all of the accused of the charge of willfully causing a disaster, with the exception of the two former Chief Executive Officers of Enel SpA (although the Court did not grant the request for recognition of aggravating circumstances as provided for when the disaster actually occurs). The former Chief Executive Officers were then ordered to pay unspecified damages in a separate civil action, with a total provisional ruling of €410,000 and payment of court costs for the remaining civil parties to the action. The Court's full ruling was filed at the end of September 2014. The decision was appealed by the two former Chief Executive Officers and by the public prosecutor at the start of November 2014. Further appeals were later filed by (i) the Chief Executive Officer in office until 2014, despite having been acquitted, in order to obtain the denial of the grounds for appeal of the prosecutor and a broader acquittal than that obtained in the first trial; (ii) two local authorities that had not initially participated; (iii) the two Ministries (Environment and Health) and (iv) the Italia Nostra association.

The appellate level of the proceeding before the Court of Appeals of Venice was completed on January 18, 2017 with the acquittal of all defendants on the grounds that "no crime was committed".

that it did not have to proceed as the offense was time-barred for two of the defendants; (and iii) convicted the remaining two defendants, sentencing them with all the allowances provided for by law to nine months' imprisonment. With regard to payment of damages, the Court's ruling also: (i) denied all claims of public parties and associations acting in the criminal proceeding to recover damages; and (ii) granted most of the claims filed by the private parties acting to recover damages, referring the latter to the civil courts for quantification without granting a provisional award.

Criminal proceedings were held before the Courts of Reggio Calabria and Vibo Valentia against a number of employees of Enel Produzione for the offense of illegal waste disposal in connection with alleged violations concerning the disposal of waste from the Brindisi plant. Enel Produzione has not been cited as a liable party for civil damages.

The criminal proceedings before the Court of Reggio Calabria ended with the hearing of June 23, 2016. The court acquitted nearly all of the Enel defendants of the main charges because no crime was committed. Just one case was dismissed under the statute of limitations. Similarly, all of the remaining charges involving minor offenses were dismissed under the statute of limitations. The proceedings before the Court of Vibo Valentia were adjourned to May 4, 2017, in order to hear the testimony of the final witnesses called by the other defendants.

Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

A criminal proceeding was held before the Court of Brindisi concerning the Brindisi Sud thermal plant. A number of employees of Enel Produzione – in 2013 cited as a liable party in civil litigation – have been accused of causing criminal damage and dumping of hazardous substances with regard to the alleged contamination of land adjacent to the plant with coal dust as a result of actions between 1999 and 2011. At the end of 2013, the accusations were extended to cover 2012 and 2013. As part of the proceeding, injured parties, including the Province and City of Brindisi, have submitted claims for total damages of about €1.4 billion. In its decision of October 26, 2016, the Court of Brindisi: (i) acquitted nine of the thirteen defendants (employees/managers of Enel Produzione) for not having committed the offense; (ii) ruled

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. At December 31, 2016 pending cases numbered about 15,000 as a result of additional appeals filed. 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. Beginning in 2012, a number of actions for recovery were initiated, which continue, 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 also involved a number of reinsurance companies in the proceedings, which have challenged Enel's claim. In a ruling of October 21, 2013, the Court of Rome granted Enel's petition, finding the insurance coverage to be valid and ordering Cattolica, and consequently the reinsurance companies, to hold Enel harmless in respect of amounts paid or to be paid to users and their legal counsel as well as, within the limits established by the policies, to pay defense costs.

Subsequently, Cattolica appealed the ruling of the court of first instance of October 21, 2013, before the Rome Court of Appeal, asking that it be overturned. The suit was adjourned until February 23, 2018 for final pleadings.

On the basis of the ruling of October 21, 2013, in October 2014, Enel filed suit against Cattolica with the Court of Rome to obtain a quantification of the amounts due to Enel and payment of those amounts by Cattolica. At the hearing of October 3, 2016, the court denied the counterparties' petition for a suspension of the proceeding pending completion of the appeals process, granting time for the filing of briefs and adjourning the case for the examination of motions to July 4, 2017.

BEG litigation

Following an arbitration proceeding initiated by BEG SpA 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 Shpk, filed suit against Enelpower and Enel SpA in Albania concerning the matter, obtaining a ruling from the District Court of Tirana, upheld by the Albanian Court of Cassation, 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 from Enel.

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

With a ruling of June 16, 2015, the first level was completed in the additional suit lodged by Enelpower SpA and Enel SpA with the Court of Rome asking the Court to ascertain the liability of BEG SpA for having evaded compliance with the arbitration ruling issued in Italy in favor of Enelpower SpA through the legal action taken by Albania BEG Ambient Shpk. With this action, Enelpower SpA and Enel SpA asked the Court to find BEG SpA liable and order it to pay damages in the amount that the other could be required to pay to Albania BEG Ambient Shpk in the event of the enforcement of the sentence issued by the Albanian courts. With the ruling, the Court of Rome found that BEG SpA did not have standing to be sued, or alternatively, that the request was not admissible for lack of an interest for Enel SpA and Enelpower SpA to sue, as the Albanian ruling had not yet been declared enforceable in any court. The Court ordered the setting off of court costs. Enel SpA and Enelpower SpA appealed the ruling before the Rome Court of Appeal, asking that it be overturned in full. The next hearing is scheduled for November 14, 2018.

On November 5, 2016, Enel SpA and Enelpower SpA filed a petition with the Albanian Court of Cassation, asking for the ruling issued by the District Court of Tirana on March 24, 2009 to be voided.

Proceedings undertaken by Albania BEG Ambient Shpk to obtain enforcement of the ruling of the District Court of Tirana of March 24, 2009

France

In February 2012, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA with the *Tribunal de Grande Instance* in Paris in order to render the ruling of the Albanian court enforceable in France. Enel SpA and Enelpower SpA challenged the suit. The proceeding is still under way.

Subsequently, again at the initiative of Albania BEG Ambient Shpk, 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.

State of New York

In March 2014, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA in New York to render the ruling of the Albanian court enforceable in the State of New York.

On April 22, 2014, in response to a motion filed by Enel and Enelpower, the court revoked the previous ruling issued with no hearing of the parties against the companies freezing assets of around \$600 million. The suit is pending and no measures, preliminary or otherwise, have been taken by the court. On April 27, 2015, Enel SpA and Enelpower SpA asked for the case to be transferred from the New York state courts to the federal courts. In a ruling of March 10, 2016, the federal court referred the case to the New York state court, where the case is proceeding. Enel SpA and Enelpower SpA appealed the decision denying the pleading that the New York state courts had no jurisdiction. The hearing was held on February 14, 2017 and a decision is pending.

The Netherlands

On June 2, 2014 Albania BEG Ambient Shpk obtained an order from the court in the Hague, based upon the preliminary injunction, freezing up to €440 million held with a number of entities and the establishment of a lien on the shares of two subsidiaries of Enel SpA in that country. Enel SpA and Enelpower SpA challenged that ruling and on July 1, 2014, the Dutch court, in granting the petition of Enel and Enelpower, provisionally determined the value of the suit at €25 million and ordered the removal of the preliminary injunction subject to the issue of a bank guarantee in the amount of €25 million by Enel and Enelpower. Enel and Enelpower have appealed this ruling.

On July 3, 2014, Albania BEG Ambient Shpk sought to obtain a second order to freeze assets. Following the hearing of August 28, 2014, the court in the Hague granted a preliminary injunction for the amount of €425 million on September 18, 2014.

In a ruling of February 9, 2016, the Hague Court of Appeal upheld the appeals, ordering the revocation of the preliminary injunctions subject to the pledging of a guarantee by Enel of €440 million and a counter-guarantee by Albania BEG

Ambient Shpk of about €50 million (the estimated value of the losses of Enel and Enelpower from the seizure of assets and the pledge of bank guarantees). Enel's guarantee was issued on March 30, 2016. Albania BEG Ambient Shpk did not issue its counter-guarantee.

On April 4, 2016, Albania BEG Ambient Shpk appealed the ruling of February 9, 2016 before the Court of Cassation in the Netherlands. Enel and Enelpower filed on May 20, 2016 and are waiting for a hearing date to be set.

At the end of July 2014, Albania BEG Ambient Shpk filed suit with the Court of Amsterdam to render the ruling of the Albanian court enforceable in the Netherlands. On June 29, 2016, the court filed its judgment, which: (i) ruled that the Albanian ruling meet the requirements for recognition and enforcement in the Netherlands; (ii) ordered Enel and Enelpower to pay €433,091,870.00 to Albania BEG Ambient Shpk, in addition to costs and ancillary charges of €60,673.78; and (iii) denied Albania BEG Ambient Shpk's request to declare the ruling provisionally enforceable.

On June 29, 2016, Enel and Enelpower appealed the ruling. The appeal has full de novo effect. The Court of Appeal will re-examine the entire subject of the dispute. Accordingly, Enel and Enelpower will be able to present their defense in its entirety. On September 27, 2016, Albania BEG Ambient Shpk also appealed the court's ruling of June 29, 2016, to request the reversal of its partial loss on the merits.

The parties are waiting for the Court of Appeal of Amsterdam to rule on joining the two appeals proceedings now under way at the preliminary stage before that court.

On July 14, 2016, Albania BEG Ambient Shpk filed an appeal for a precautionary seizure on the basis of the decision of June 29, 2016 in the amount of €440 million with a number of entities and the seizure of the shares of three companies controlled by Enel SpA in the Netherlands. Enel appealed and in a ruling of August 26, 2016, the Court of Amsterdam decided that the precautionary measures issued in 2014 and 2016 would be revoked if Albania BEG Ambient Shpk did not provide a bank guarantee of €7 million to Enel and Enelpower by October 21, 2016. Albania BEG Ambient Shpk did not provide the guarantee and, accordingly, the seizures of the assets of Enel SpA and Enelpower SpA in the Netherlands were revoked and no longer effective as from October 21, 2016. Albania BEG Ambient Shpk appealed the decision of the Court of Amsterdam of August 26, 2016 but the proceeding was suspended pending the conclusion of the proceeding before the Court of Cassation involving the ruling of the Hague Court of Appeal of February 9, 2016.

Ireland and Luxembourg

Albania BEG Ambient Shpk also filed suits in Ireland and Luxembourg to render the ruling of the Court of Tirana enforceable in those two countries. In Ireland, the court issued a ruling on March 8, 2016 upholding the defense of Enel and Enelpower, finding that the country had no jurisdiction. Approval of the ruling by the court is pending. In Luxembourg, at the initiative of Albania BEG Ambient Shpk, J.P. Morgan Bank Luxembourg SA was also served with an order for the precautionary attachment of any receivables of Enel SpA. The proceeding to obtain enforcement of the ruling of the Court of Tirana is still under way. The court has issued no ruling.

Violations of Legislative Decree 231/2001

A case for alleged violation of Legislative Decree 231/2001 concerning the administrative liability of legal persons is pending. It involves e-distribuzione for omission of accident prevention measures. More specifically, it regards a fatal accident involving an employee of a subcontractor in Palermo in 2008, for which e-distribuzione has been charged with administrative liability for manslaughter. The trial is proceeding.

CIEN litigation - Brazil

In 1998 the Brazilian company CIEN (now Enel CIEN) signed an agreement with Tractebel for the delivery of electricity from Argentina through its Argentina-Brazil interconnection line. As a result of Argentine regulatory changes introduced as a consequence of the economic crisis in 2002, CIEN was unable to make the electricity available to Tractebel. In October 2009, Tractebel sued CIEN, which submitted its defense. CIEN cited force majeure as a result of the Argentine crisis as the main argument in its defense. Out of court, Tractebel has indicated that it plans to acquire 30% of the interconnection line involved in the dispute. In March 2014, the court granted CIEN's motion to suspend the proceedings in view of the existence of other litigation pending between the parties. The amount involved in the dispute is estimated at about R\$118 million (about €27 million), plus unspecified damages. For analogous reasons, in May 2010 Furnas also filed suit against CIEN for failure to deliver electricity, requesting payment of about R\$520 million (about €121 million), in addition to unspecified damages. In alleging non-performance by CIEN, Furnas

is also seeking to acquire ownership (in this case 70%) of the interconnection line. CIEN's defense is similar to the earlier case. The claims put forth by Furnas were rejected by the trial court in August 2014. Furnas lodged an appeal against the latter decision, while CIEN also lodged an appeal and the proceeding is under way.

Cibran litigation - Brazil

Companhia Brasileira de Antibióticos (Cibran) has filed a number of suits against Ampla Energia e Serviços, SA (Ampla) to obtain damages for alleged losses incurred as a result of the interruption of service by the Brazilian distribution company. The Court ordered a unified technical appraisal for those cases, the findings of which were partly unfavorable to Ampla. The latter challenged the findings, asking for a new study, which led to the denial of Cibran's petition. Cibran appealed the decision and the ruling was in favor of Ampla. On December 16, 2016, Cibran filed an appeal (*recurso especial*) before the *Superior Tribunal de Justiça*, which is now being examined for admissibility.

Only two cases have been decided so far, while decisions in the remaining proceedings are still pending. The overall amount involved in all the disputes is estimated at about R\$394 million (about €102 million).

With regard to the first case, in September 2014, the trial court issued a ruling against Ampla, levying a penalty of about R\$200,000 (about €46,000) as well as other damages to be quantified at a later stage. Ampla appealed the ruling and the *Tribunal de Justiça* ruled in its favor. Cibran appealed that decision (*recurso especial*) before the *Superior Tribunal de Justiça* and the proceeding is under way.

With regard to the second case, on June 1, 2015, the courts issued a ruling ordering Ampla to pay R\$80,000 (about €18,000) in non-pecuniary damages (less than in the first case) as well as R\$96,465,103 (about €22 million) in pecuniary damages, plus interest. On July 8, 2015 Ampla appealed the decision and the proceeding is under way.

Coperva litigation - Brazil

As part of the project to expand the grid in rural areas of Brazil, in 1982 Companhia Energética do Ceará SA ("Coelce"), then owned by the Brazilian government and now an Enel Group company, had entered into contracts for the use of the grids of a number of cooperatives established specifically

ly to pursue the expansion project. The contracts provided for the payment of a monthly fee by Coelce, which was also required to maintain the networks.

Those contracts, between cooperatives established in special circumstances and the then public-sector company, do not specifically identify the grids governed by the agreements, which has prompted a number of the cooperatives to sue Coelce asking for, among other things, a revision of the fees agreed in the contracts. These actions include the suit filed by Cooperativa de Eletrificação Rural do V do Acaarau Ltda (Coperva) with a value of about R\$179 million (about €42 million). Coelce was granted rulings in its favor from the trial court and the court of appeal, but Coperva filed a further appeal (*Embargo de Declaração*), which was denied in a ruling of January 11, 2016. Coperva lodged an extraordinary appeal before the *Superior Tribunal de Justiça* on February 3, 2016. The proceedings are currently under way.

El Quimbo - Colombia

A number of legal actions ("*acciones de grupo*" and "*acciones populares*") brought by residents and fishermen in the affected area are pending with regard to the El Quimbo project for the construction of a 400 MW hydroelectric plant in the region of Huila (Colombia). More specifically, the first *acción de grupo*, currently in the preliminary stage, was brought by around 1,140 residents of the municipality of Garzón, who claim that the construction of the plant would reduce their business revenues by 30%. A second action was brought, between August 2011 and December 2012, by residents and businesses/associations of five municipalities of Huila claiming damages related to the closing of a bridge (Paso El Colegio). With regard to *acciones populares*, or class action lawsuits, in 2008 a suit was filed by a number of residents of the area demanding, among other things, that the environmental permit be suspended. Another *acción popular* was brought by a number of fish farming companies over the alleged impact that filling the Quimbo basin would have on fishing in the Betania basin downstream from Quimbo. In February 2015, the Court ordered the precautionary suspension of filling operations until a number of specific requirements have been met.

The precautionary suspension was subsequently modified to permit filling to proceed, which began on June 30, 2015. However, on July 17, 2015 Emgesa received a notice modifying the precautionary measure to prohibit generation activities until ANLA (the national environmental authority) certifies

that the company removed the biomass and forest waste from the Quimbo reservoir basin.

Pending the ruling, as an energy emergency has been declared, the Ministry of Energy issued a decree authorizing Emgesa to begin generation. On December 16, 2015, the Constitutional Court ruled that the presidential decree was unconstitutional and as from that date Emgesa suspended electricity generation.

On December 24, 2015, the *Ministerio de Minas y Energía* and the AUNAP (the authority for agriculture and fishing) filed a joint motion asking the criminal court to authorize generation as a precautionary measure. On January 8, 2016 the court granted the precautionary measure requested by the Ministry and the AUNAP, authorizing the temporary and immediate resumption of generation at El Quimbo. The precautionary measure granted by the court would remain in force until the Huila court issued a ruling on the substance of the case, i.e. the revocation or upholding of the precautionary measure previously issued by the local administrative court. With a decision of February 22, 2016, the Huila court issued a ruling allowing generation to continue for six months. The court ordered Emgesa to prepare a technical design that would ensure compliance with oxygen level requirements and to provide collateral of about 20,000,000,000 Colombian pesos (about €5.5 million). In a ruling of the Administrative Court of Huila of April 11, 2016 the temporary revocation of the precautionary injunction was upheld for a period of six months until October 16, 2016, which was subsequently extended for a further six months as from February 2017. During this period, Emgesa will have to demonstrate that the oxygenation system it implemented will achieve the specified oxygen levels.

Nivel de Tensión Uno proceedings - Colombia

This dispute involves an "*acción de grupo*" brought by Centro Médico de la Sabana hospital and other parties against Codensa seeking restitution of allegedly excess rates. The action is based upon the alleged failure of Codensa to apply a subsidized rate that they claim the users should have paid as *Tensión Uno* category users (voltage of less than 1 kV) and owners of infrastructure, as established in Resolution 82/2002, as amended by Resolution 97/2008. The suit is at a preliminary stage. The estimated value of the proceeding is about 337 billion Colombian pesos (about €109 million).

SAPE (formerly Electrica) arbitration proceedings - Romania

On June 11, 2007, Enel SpA entered into a Privatization Agreement with SC Electrica SA for the privatization of Electrica Muntenia Sud ("EMS"). The accord provided for the sale to Enel of 67.5% of the Romanian company. In accordance with the unbundling rules, in September 2008 the distribution and electricity sales operations were transferred to two new companies, Enel Distribuție Muntenia ("EDM") and Enel Energie Muntenia ("EEM"). In December 2009, Enel transferred the entire capital of the two companies to Enel Investment Holding BV ("EIH").

On July 5, 2013, Electrica notified Enel SpA, EIH, EDM and EEM (limited to a number of claims) of a request for arbitration before the International Chamber of Commerce in Paris, claiming damages for alleged violations of specific clauses of the Privatization Agreement. More specifically, the plaintiff claimed payment of penalties of about €800 million, plus interest and additional unspecified damages.

On July 18, 2016, the ruling of the arbitration board unanimously rejecting SAPE's claims was notified, declaring them inadmissible or unfounded, and ordering SAPE to pay arbitration costs. On September 29, 2014, SAPE notified Enel and EIH that it had submitted a further arbitration request to the International Chamber of Commerce in Paris seeking around €500 million (plus interest) in connection with the put option contained in the Privatization Agreement. The put option gives SAPE the right to sell a 13.57% stake in e-distribuție Muntenia and Enel Energie Muntenia. In a ruling of February 3, 2017, the arbitration board set the purchase price of the shares involved in the put option at about €400 million. The board denied the request for interest, which amounted to about €60 million.

On April 20, 2016, SAPE submitted a further request for arbitration before the International Chamber of Commerce in Paris in respect of Enel SpA and EIH concerning the failure to distribute dividends (plus interest). In September 2016, SAPE modified its arbitration claims, suing Enel Energie Muntenia and e-distribuție Muntenia as well and revising its monetary claim to about €56 million. The proceeding is at the preliminary stage.

Gabčíkovo dispute - Slovakia

Slovenské elektrárne ("SE") is involved in a number of cases before the national courts concerning the 720 MW Gabčíkovo hydroelectric plant, which is administered by Vodohospodárska Výstavba Štátny Podnik ("VV") and whose operation and maintenance, as part of the privatization of SE in 2006, had been entrusted to SE for a period of 30 years under a management agreement (the VEG Operating Agreement).

Immediately after the closing of the privatization, the Public Procurement Office (PPO) filed suit with the Court of Bratislava seeking to void the VEG Operating Agreement on the basis of alleged violations of the regulations governing public tenders, qualifying the contract as a service contract and as such governed by those regulations. In November 2011 the trial court ruled in favor of SE, whereupon the PPO immediately appealed the decision.

In parallel with the PPO action, VV also filed a number of suits, asking in particular for the voidance of the VEG Operating Agreement.

On December 12, 2014, VV withdrew unilaterally from the VEG Operating Agreement, notifying its termination on March 9, 2015, for breach of contract. On March 9, 2015, the decision of the appeals court overturned the ruling of the trial court and voided the contract as part of the action pursued by the Public Procurement Office (PPO). SE lodged an extraordinary appeal against that decision before the Supreme Court. At a hearing of June 29, 2016, the Supreme Court denied the appeal. SE then appealed the ruling to the Constitutional Court, which denied the appeal on January 18, 2017. In addition, SE lodged a request for arbitration with the Vienna International Arbitral Centre (VIAC) under the VEG Indemnity Agreement. Under that accord, which had been signed as part of the privatization between the National Property Fund (now MH Manazment) of the Slovak Republic and SE, the latter is entitled to an indemnity in the event of the early termination of the VEG Operating Agreement for reasons not attributable to SE. The arbitration court rejected the objection that it did not have jurisdiction and the arbitration proceeding continued to examine the merits of the case, with a ruling on the amount involved being deferred to any subsequent proceeding. The parties exchanged briefs and the hearing was held on February 2, 2017.

In parallel with the arbitration proceeding launched by SE, both VV and the National Property Fund (now MH Ma-

nazment) filed suits, currently pending, in the Slovakian courts to void the VEG Indemnity Agreement owing to the alleged connection of the latter with the VEG Operating Agreement. In addition, at the local level, SE was sued by VV for alleged unjustified enrichment (estimated at about €360 million plus interest) for the period from 2006 to 2015. Finally, in another proceeding before the Court of Bratislava, VV asked for SE to return the fee for the transfer from SE to VV of the technology assets of the Gabčíkovo plant as part of the privatization, with a value of about €43 million plus interest. The proceedings are at the preliminary stage and SE has asked for denial of the VV claims.

CIS and Interporto Campano

On December 4, 2009 and August 4, 2010 Enel Green Power SpA ("EGP") signed, with Interporto Campano ("IC") and Centro Ingrosso Sviluppo Campania Gianni Nappi SpA ("CIS"), respectively, a leasehold agreement with a term of more than nine years and a leasehold estate for the rooftops of the industrial sheds of the CIS and Interporto Campano in order to build and operate a photovoltaic plant. On April 22, 2011, during construction of the plant, a fire broke out on one of the shed owned by CIS, where EGP's contractor, General Membrane SpA, was installing the plant. On March 26, 2012, with the installation work completed, a second fire broke out on another of the sheds owned by CIS. These events gave rise to a series of disputes between the parties, including two arbitration proceedings. The first proceeding ended with a ruling declaring the joint negligence of CIS and EGP in causing the losses and ordering EGP to pay CIS about €2.5 million, equal to half of the damages originally admitted for indemnification. For the losses incurred by EGP, the arbitration board found that the contractor was liable and that EGP would have to take action against the latter to obtain damages (see the following note on the dispute with General Membrane). That ruling was appealed by both parties.

The second proceeding initiated in 2014 by CIS and Interporto Campano against EGP asking for the termination of the leasehold estate and the more-than-9-year lease as well as damages for alleged losses following breaches by EGP quantified in the amount of about €65 million, of which about €35 million for costs incurred in dismantling the photovoltaic plants. EGP first objected that the arbitration board did not have jurisdiction (arguing that it was impossible

for a single board to proceed with respect to two separate contracts with different obligations), asking that the plaintiffs' claims to be denied and submitting a counterclaim against the plaintiffs for damages of about €40 million.

On January 20, 2017 EGP, CIS and IC reached an agreement to settle all claims involved in the disputes arising in relation to the fires affecting the EGP photovoltaic plant and the CIS sheds on which the plant was installed. The settlement provides for the parties to waive their reciprocal claims and reduces the lease payments to CIS and IC, as well as providing for EGP to pay CIS €2.5 million and for CIS to repay EGP – as from January 1, 2020 – the residual amounts of an advance on lease payments made by EGP on the occasion of the first fire at CIS. The agreement settles the two arbitration proceedings initiated by CIS and IC seeking payment of damages and removal of the photovoltaic plant.

Following the two fires, the tenants of the premises beneath the area covered by the photovoltaic plant had filed a number of suits for damages in respect of losses incurred in the two fires.

The settlement agreement does not extinguish those ancillary disputes.

Precautionary administrative proceeding and Chucas arbitration

PH Chucas SA ("Chucas") is a special purpose entity established by Enel Green Power Costa Rica SA after it won a tender organized in 2007 by the Instituto Costarricense de Electricidad ("ICE") for the construction of a 50 MW hydroelectric plant and the sale of the power generated by the plant to ICE under a build, operate and transfer contract ("BOT"). The agreement provides for Chucas to build and operate the plant for 20 years, before transferring it to ICE. Under the BOT contract, the plant should have entered service on September 26, 2014. For a number of reasons, including flooding, landslides and similar events, the project experienced cost overruns and delays, with a consequent delay in meeting the obligation to deliver electricity. In view of these developments, in 2012 and 2013 Chucas submitted an administrative petition to ICE to recover the higher costs incurred and obtain a postponement of the entry into service of the plant. ICE denied the petition in 2015 and in fact

levied two fines of about \$9 million on Chucas for the delays in entering service. Following the precautionary appeal of Chucas, payment of the fines was suspended.

In addition, as ICE had rejected the administrative petition, on May 27, 2015, under the provisions of the BOT contract, Chucas initiated an arbitration proceeding before the *Câmara Costarricense-Norteamericana de Comercio* (AMCHAM CICA) seeking reimbursement of the additional costs incurred to build the plant and as a result of the delays in completing the project as well as avoidance of the fine levied by ICE. The proceeding is under way and the setting of the date of the hearing is pending.

In addition, on October 3, 2015, in consideration of the violation of a number of contractual obligations (including failure to meet the deadline to complete the works) on the part of FCC Construcción América SA and FCC Construcción SA (FCC) – which had been engaged to build some of the works for the hydroelectric plant – Chucas notified the parties that it was terminating the contract for breach, enforcing the guarantees issued to it. However, the guarantees have not yet been collected pending resolution of an arbitration proceeding initiated by FCC on October 27, 2015, at the International Court of Arbitration in Paris. In its Statement of Claim, filed on June 8, 2016, FCC requested payment of about \$36 million and an extension of the deadline to complete the works of about 200 days. Chucas responded by filing its own counter-claim. Chucas filed its Statement of Defense on October 7, 2016, quantifying its claim for damages as at least \$38 million. The hearing was scheduled for the first week of August 2017.

Tax litigation in Brazil

Withholding tax - Ampla

In 1998, Ampla Energia e Serviços SA financed the acquisition of Coelce with the issue of bonds in the amount of \$350 million ("Fixed Rate Notes" - FRN) subscribed by its Panamanian subsidiary, which had been established to raise funds abroad. Under the special rules then in force, subject to maintaining the bond until 2008, the interest paid by Ampla to its subsidiary was not subject to withholding tax in Brazil. However, the financial crisis of 1998 forced the Panamanian company to refinance itself with its Brazilian parent, which for that purpose obtained loans from local banks. The tax authorities considered this financing to be the equivalent of the early extinguishment of the bond, with the consequent

loss of entitlement to the exemption from withholding tax.

In December 2005, Ampla Energia e Serviços SA carried out a spin-off that involved the transfer of the residual FRN debt and the associated rights and obligations.

On November 6, 2012, the *Câmara Superior de Recursos Fiscais* (the highest level of administrative courts) issued a ruling against Ampla, for which the company promptly asked that body for clarifications. On October 15, 2013, Ampla was notified of the denial of the request for clarification ("*Embargo de Declaração*"), thereby upholding the previous adverse decision. The company provided security for the debt and on June 27, 2014 continued litigation before the ordinary courts ("*Tribunal de Justiça*").

The amount involved in the dispute at December 31, 2016 was about €347 million.

Deadline for payment of ICMS - Ampla

In 2002, the State of Rio de Janeiro changed the deadlines for payment of the ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*) by withholding agents (to the 10th, 20th and 30th of each month - *Ley Benedicta*). Owing to liquidity problems, between September 2002 and February 2005, Ampla Energia e Serviços continued to pay the ICMS in compliance with the previous system (the 5th day of the subsequent month). Despite an informal agreement, the Brazilian tax authorities issued an assessment for late payment of the ICMS ("*multa de demora*"). Ampla appealed the measure (the highest level of administrative courts), arguing that the penalties imposed were not due owing to the application of a number of amnesties granted between 2004 and 2006. On October 25, 2015, Ampla filed the ruling issued by the Supreme Court of Brasília (published on October 2, 2015), which ruled that the change in the deadlines for the payment of the ICMS was unconstitutional. Consequently, in 2016 the Brazilian tax authorities terminated their legal action, settling the dispute in Ampla's favor.

ICMS - Ampla and Coelce

The States of Rio de Janeiro and Ceará issued a number of tax assessments against Ampla Energia e Serviços (for the years 1996-1999 and 2007-2014) and Companhia Energética do Ceará (for the years 2003, 2004 and 2006-2011), challenging the deduction of ICMS in relation to the purchase of certain non-current assets. The companies challenged the assessments, arguing that they correctly deducted the tax

and asserting that the assets, the purchase of which generated the ICMS, are intended for use in their electricity distribution activities. One of the administrative proceedings ended with a ruling partially in Ampla's favor, with a reduction in the amount due to the tax authorities. Ampla has appealed the remainder.

The amount involved in the disputes totaled approximately €71 million at December 31, 2016.

Withholding tax - Endesa Brasil

On November 4, 2014, the Brazilian tax authorities issued an assessment against Endesa Brasil SA (now Enel Brasil SA) alleging the failure to apply withholding tax to payments of allegedly higher dividends to non-resident recipients.

More specifically, in 2009, Endesa Brasil, as a result of the first-time application of the IFRS-IAS, had cancelled goodwill, recognizing the effects in equity, on the basis of the correct

application of the accounting standards it had adopted. The Brazilian tax authorities, however, asserted – during an audit – that the accounting treatment was incorrect and that the effects of the cancellation should have been recognized through profit or loss. As a result, the corresponding value (about €202 million) was reclassified as a payment of income to non-residents and, therefore, subject to withholding tax of 15%.

It should be noted that the accounting treatment adopted by the company was agreed with the external auditor and also confirmed by a specific legal opinion issued by a local firm specializing in corporate law.

On December 2, 2014, the company appealed the initial ruling, arguing that its accounting treatment was correct.

In July 2016, the dispute was ruled at first instance in favor of the tax authorities. Endesa Brasil will therefore appeal the decision to the second level of administrative jurisdiction.

The overall amount involved in the dispute at December 31, 2016 was about €75 million.

50. Events after the reporting period

Renewable energy loan in Brazil

On January 4, 2017, the Enel Group and the Brazilian Development Bank ("BNDES"), the main financing agency for development in Brazil, signed a 20-year loan agreement worth around R\$373 million (about €109 million) that will cover part of the investment required to build the 102 MW Apiacás hydropower plant, located in the state of Mato Grosso in Brazil's Central-West Region.

Under the provisions of the loan agreement, the first instalment of R\$293 million (about €85 million) was disbursed at signing, while the second instalment of R\$80 million (about €24 million) will be disbursed in early 2017, subject to the fulfilment of conditions precedent customary for this type of transaction. The loan bears an interest rate based on the TJLP (*Taxa de Juros de Longo Prazo*), the long-term interest rate reviewed quarterly by the Brazilian central bank. The TJLP currently stands at 7.5%, below the current interbank rate in Brazil of 13.63%. The TJLP is used as base rate for loans granted by BNDES to private companies whose projects are deemed eligible for federal funding.

Issue of first green bond

On January 9, 2017, Enel Finance International ("EFI") successfully placed on the European market its first green bond for institutional investors, backed by a guarantee issued by Enel. The issue totals €1,250 million and provides for repayment in one instalment at maturity on September 16, 2024, as well as the payment of a fixed-rate coupon of 1%, payable annually in arrears in September, as from September 2017. The issue price was set at 99.001% and the effective yield to maturity is equal to 1.137%. The expected date for settlement of the issue is January 16, 2017. The green bond is listed on the regulated markets of the Irish and Luxembourg Stock Exchanges. The transaction received subscriptions of about €3 billion, with considerable interest from socially responsible investors ("SRI"), enabling Enel to further diversify its investor base. The net proceeds raised from the issue – carried out under the medium-term note program of Enel and EFI (the Euro Medium Term Notes - EMTN) – will be used to finance the Enel Group's eligible green projects identified and/or to be identified in accordance with the

Green Bond Principles 2016 published by the International Capital Market Association (ICMA). More specifically, the categories of projects that qualify as eligible green projects include, for example, the development, construction and re-powering of renewable power plants, the development of transmission and distribution grids, and the implementation of smart grids and smart meters in the geographical areas in which the Group operates.

The operation was led by a syndicate of banks comprising Banca IMI, BofA Merrill Lynch, Crédit Agricole CIB, Citi, Deutsche Bank, HSBC, J.P. Morgan, Mizuho Securities, Natixis, SMBC Nikko and UniCredit Bank as joint-bookrunners.

Acquisition of Demand Energy

On January 11, 2017, Enel Green Power North America ("EGPNA") acquired 100% of Demand Energy Networks ("Demand Energy"), a US-based company specialized in intelligent software and energy storage systems. Enel will work with Demand Energy, which has established itself as a leader in the New York City storage market, delivering value to commercial and industrial customers, to expand deployment of the company's Distributed Energy Network Optimization System (DEN.OSTM), an intelligent software controls platform that enables real-time optimization of energy management and revolutionizes the way electricity is generated, stored and consumed.

Collaboration agreement with Saudi Electricity Company

On January 11, 2017, Enel SpA and Saudi Arabian utility Saudi Electricity Company ("SEC") signed a framework agreement for cooperation in the power distribution sector that will see the two companies work together to develop long-term strategic knowledge sharing in the latest network technologies. Under the agreement, which has a term of three years but could be extended if both parties agree to, Enel and SEC will enhance exchange of information, best practices and experiences in the distribution sector. More specifically, the two companies will share best practices and benchmarks to take

the performance of distribution networks in areas like operations, efficiency and security to best-in-class levels, while also introducing a technology roadmap, aimed at digitizing distribution grids and improving energy efficiency at the service of customers. Enel and SEC will also jointly evaluate further areas of collaboration in the power distribution sector.

Agreement with Dubai Electricity and Water Authority

On January 14, 2017, Enel SpA and Dubai Electricity and Water Authority ("DEWA"), Dubai's public service infrastructure company, signed a memorandum of understanding (MoU) for cooperation in smart grids and network digitization. The MoU, which has a term of three years and could be extended if mutually agreed upon, aims to build a partnership between Enel and DEWA to facilitate the achievement of common strategic objectives and the exchange of information, experiences and studies in the areas of work outlined by the MoU, including the analysis of key performance indicators in smart grid management as well as network digitization and security. The parties will cooperate in research activities into the MoU's areas of work and will share Enel's know-how in distribution automation, renewable energy integration, smart meters and smart cities, with special reference to the role played by Enel in Expo Milano 2015, as well as DEWA's efforts in the field of smart grids. The parties will also evaluate cooperation opportunities in network technologies for Expo 2020 Dubai, given Enel's experience in building a fully-electric smart city for Expo Milano 2015 and DEWA's contribution to the development of network infrastructure and related technologies for Expo 2020.

Agreement with Aton Storage

On February 7, 2017, Enel SpA and Aton Storage, one of the leading Italian companies active in the development and manufacture of innovative storage systems, signed an agreement to cooperate in the field of renewable energy storage services. The aim is to enrich and strengthen the range of products offered to end users with innovative, high performance solutions that contribute to energy efficiency. Storage solutions play a key role in the development of renewable

energy and electric mobility, sectors in which Enel is a world leader.

The battery developed by Aton was included among the new technologies that Enel presented during the Formula E event held in Marrakech on November 12, 2016, and the Capital Markets Day in London on November 22, 2016. Enel has also incorporated the Aton storage system in the manufacture of its photovoltaic panels.

Participation of Enel Green Power in the construction of a hospital in Uganda

On February 10, 2017, Enel Green Power participated in the project of Emergency and the architect Renzo Piano for the construction of a pediatric surgery hospital in Entebbe, Uganda, which will become the new center of pediatric excellence in Africa. The hospital, which will also be a training center for young doctors and nurses from Uganda and neighboring countries, will make a significant contribution to improving health standards in the area.

Enel Green Power will provide 2,600 thin-film photovoltaic modules manufactured at its 3Sun factory in Catania, for a total of 289.24 kWp (kilowatt peak), giving the new hospital energy autonomy and sustainability.

Enel included in ECPI sustainability indices for the ninth time

On February 13, 2017, Enel SpA was named for the ninth time to be part of the ECPI Sustainability Index series, which assess companies on the basis of their environmental, social and governance (ESG) performance.

Enel has been included in four of ECPI's indices:

- > ECPI Global Renewable Energy Equity Index, which selects the 40 highest ESG-rated companies active in the production or trading of energy from renewable sources;
- > ECPI Global Megatrend Equity Index, which includes companies that are best placed to seize the opportunities presented by long-term global macro trends;
- > ECPI Euro ESG Equity Index, which is composed of the 320 companies with the largest market capitalization in

the euro-area market that satisfy ECPI ESG criteria;

- > ECPI World ESG Equity Index, a broad benchmark representative of developed market companies that satisfy ECPI ESG criteria.

A key element of Enel's inclusion in the ECPI indices was its long-term strategic approach, the soundness of its operational management practices and its strong contribution to addressing social and environmental needs.

Acquisition of Brazilian distribution company CELG closes

On February 14, 2017, the Enel subsidiary Enel Brasil finalized the acquisition of about 94.8% of the share capital of Celg Distribuição, a power distribution company that operates in the Brazilian state of Goiás, for a total consideration of R\$2,187 billion (about \$640 million). The remaining stake of CELG will be offered to the company's current and retired employees, through a process that will allow Enel Brasil to purchase the shares not bought by those employees.

The transaction expands Enel's presence in the Brazilian distribution market, increasing Enel's customer base in Brazil from 7 million to 10 million, making Enel Brasil the second largest power distribution company in the country.

Enel invests in green start-ups in Hawaii

On February 28, 2017, Enel, acting through its US-based renewable energy subsidiary Enel Green Power North America ("EGPNA"), has become a global partner and strategic advisor of Energy Excelsator, a leading American incubator for clean energy start-ups based in Hawaii.

By joining Energy Excelsator, a non-profit organization with the mission to solve the world's energy systems challenges through innovation, Enel will access the organization's portfolio of start-ups and advise on the selection of projects to be supported by the incubator.

Hawaii has a very high penetration of renewables generation, enabling Enel to expand its innovation network, opening energy to new uses, new technologies and new people.

Declaration of the Chief Executive Officer and the officer responsible for the preparation of corporate financial reports

Declaration of the Chief Executive Officer and the officer responsible for the preparation of the consolidated financial report of the Enel Group at December 31, 2016, pursuant to the provisions of Article 154-*bis*, paragraph 5, of Legislative Decree 58 of February 24, 1998 and Article 81-*ter* of CONSOB Regulation 11971 of May 14, 1999

1. The undersigned Francesco Starace and Alberto De Paoli, 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 Enel Group and
 - b. the effective adoption ofthe administrative and accounting procedures for the preparation of the consolidated financial statements of the Enel Group in the period between January 1, 2016 and December 31, 2016.
2. In this regard, we report that:
 - a. the appropriateness of the administrative and accounting procedures used in the preparation of the consolidated financial statements of the Enel Group has been verified in an assessment of the internal control system for financial reporting. 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 for financial reporting did not identify any material issues.
3. In addition, we certify that the consolidated financial statements of the Enel Group at December 31, 2016:
 - a. have been prepared in compliance with the international accounting standards recognized in the European Union pursuant to Regulation 2002/1606/EC 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 and the companies included in the scope of consolidation.
4. Finally, we certify that the report on operations, included in the Annual Report 2016 and accompanied by the consolidated financial statements of the Enel Group at December 31, 2016, contains a reliable analysis of operations and performance, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, March 16, 2017

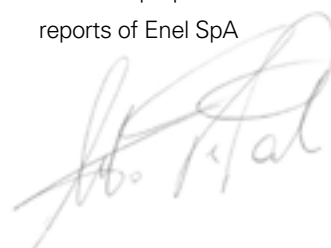
Francesco Starace

Chief Executive Officer of Enel SpA



Alberto De Paoli

Officer responsible for the preparation of the financial reports of Enel SpA





04_Financial statements of Enel SpA



Financial statements

Income Statement

Euro		Notes			
		2016		2015	
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Revenue					
Revenue from sales and services	4.a	196,643,777	196,280,057	237,437,374	237,707,512
Other revenue and income	4.b	9,861,498	9,069,283	7,705,720	6,409,403
	[Subtotal]	206,505,275		245,143,094	
Costs					
Consumables	5.a	584,840		1,570,962	
Services, leases and rentals	5.b	151,952,810	77,696,819	199,160,903	72,721,157
Personnel	5.c	166,399,594		175,679,876	
Depreciation, amortization and impairment losses	5.d	448,085,594		327,066,874	
Other operating expenses	5.e	16,599,951	108,251	23,773,659	272,708
	[Subtotal]	783,622,789		727,252,274	
Operating income		(577,117,514)		(482,109,180)	
Income from equity investments	6	2,882,499,648	2,876,316,848	2,024,387,668	2,024,387,668
Financial income from derivatives	7	2,786,671,950	1,239,467,879	3,357,787,018	499,950,787
Other financial income	8	556,019,345	146,646,523	177,252,784	160,415,399
Financial expense from derivatives	7	3,126,763,778	466,545,748	3,024,073,367	2,248,211,467
Other financial expense	8	979,163,840	54,073,673	1,243,796,482	1,353,550
	[Subtotal]	2,119,263,325		1,291,557,621	
Income before taxes		1,542,145,811		809,448,441	
Income taxes	9	(177,792,922)		(201,206,058)	
NET INCOME FOR THE YEAR		1,719,938,733		1,010,654,499	

Statement of Comprehensive Income

Euro

Notes

	2016	2015
Net income for the year	1,719,938,733	1,010,654,499
Other comprehensive income recyclable to profit or loss (net of taxes)		
Effective portion of change in the fair value of cash flow hedges	(98,254,561)	55,191,519
Income/(Loss) recognized directly in equity recyclable to profit or loss	(98,254,561)	55,191,519
Other comprehensive income not recyclable to profit or loss (net of taxes)		
Remeasurement of employee benefit liabilities	(11,273,042)	(6,262,322)
Income/(Loss) recognized directly in equity not recyclable to profit or loss	(11,273,042)	(6,262,322)
Income/(Loss) recognized directly in equity	(109,527,603)	48,929,197
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	1,610,411,130	1,059,583,696

Balance Sheet

Euro

Notes

ASSETS		at Dec. 31, 2016		at Dec. 31, 2015	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Non-current assets					
Property, plant and equipment	10	8,859,467		7,318,430	
Intangible assets	11	18,440,490		13,979,194	
Deferred tax assets	12	370,298,399		372,601,084	
Equity investments	13	42,793,374,282		38,984,404,315	
Derivatives	14	2,469,135,121	953,412,489	2,590,475,105	317,479,879
Other non-current financial assets	15	52,883,343	26,612,507	107,178,537	71,448,713
Other non-current assets	16	186,999,080	153,765,974	409,088,037	164,342,076
	<i>[Total]</i>	45,899,990,182		42,485,044,702	
Current assets					
Trade receivables	17	255,046,164	247,815,639	283,402,770	277,741,015
Income tax receivables	18	212,324,448		319,245,633	
Derivatives	14	480,063,926	18,842,181	298,808,858	25,645,428
Other current financial assets	19	4,220,574,127	3,047,741,908	3,402,558,948	3,130,256,153
Other current assets	20	298,790,729	260,724,520	459,912,939	421,632,813
Cash and cash equivalents	21	3,037,878,236		5,925,363,202	
	<i>[Total]</i>	8,504,677,630		10,689,292,350	
TOTAL ASSETS		54,404,667,812		53,174,337,052	

LIABILITIES AND SHAREHOLDERS' EQUITY		at Dec. 31, 2016		at Dec. 31, 2015	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Shareholders' equity					
Share capital		10,166,679,946		9,403,357,795	
Other reserves		11,409,583,162		9,162,506,050	
Retained earnings/(Loss carried forward)		4,534,347,074		5,303,025,796	
Net income for the year ⁽¹⁾		804,937,538		1,010,654,499	
TOTAL SHAREHOLDERS' EQUITY	22	26,915,547,720		24,879,544,140	
Non-current liabilities					
Long-term borrowings	23	13,664,164,147	1,200,000,000	14,502,714,348	
Employee benefits	24	285,581,064		290,995,396	
Provisions for risks and charges	25	67,712,242		53,892,853	
Deferred tax liabilities	12	246,395,098		290,738,493	
Derivatives	14	3,082,463,484	746,835,995	2,716,865,899	1,364,781,681
Other non-current liabilities	26	35,665,460	33,077,332	243,205,378	242,742,934
	<i>[Subtotal]</i>	17,381,981,495		18,098,412,367	
Current liabilities					
Short-term borrowings	23	6,184,078,839	4,267,908,087	4,914,568,035	3,243,027,360
Current portion of long-term borrowings	23	973,290,366		3,061,764,326	
Trade payables	27	149,913,241	67,088,313	164,019,523	59,244,803
Derivatives	14	555,974,838	464,162,608	366,838,872	275,854,022
Other current financial liabilities	28	549,580,628	81,565,385	642,802,743	83,534,943
Other current liabilities	30	1,694,300,685	543,742,274	1,046,387,046	354,456,409
	<i>[Subtotal]</i>	10,107,138,597		10,196,380,545	
TOTAL LIABILITIES		27,489,120,092		28,294,792,912	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		54,404,667,812		53,174,337,052	

(1) For 2016, net income for the year (€1,720 million) is reported net of the interim dividend of €915 million.

Statement of Changes in Shareholders' Equity

Share capital and reserves (note 22)

Euro	Share capital	Share premium reserve	Legal reserve	Reserve pursuant to Law 292/1993
At January 1, 2015	9,403,357,795	5,292,076,658	1,880,671,559	2,215,444,500
Other changes	-	-	-	-
Allocation of 2014 net income:				
- distribution of dividends	-	-	-	-
- legal reserve	-	-	-	-
- retaining earnings	-	-	-	-
Comprehensive income for the year:				
- income/(loss) recognized directly in equity	-	-	-	-
- net income for the year	-	-	-	-
At December 31, 2015	9,403,357,795	5,292,076,658	1,880,671,559	2,215,444,500
At January 1, 2016	9,403,357,795	5,292,076,658	1,880,671,559	2,215,444,500
Other changes	-	-	-	-
Allocation of 2015 net income:				
- distribution of dividends	-	-	-	-
- legal reserve	-	-	152,664,429	-
- retaining earnings	-	-	-	-
Capital increase	763,322,151	2,203,939,405	-	-
2016 interim dividend ⁽¹⁾	-	-	-	-
Comprehensive income for the year:				
- income/(loss) recognized directly in equity	-	-	-	-
- net income for the year	-	-	-	-
Total at December 31, 2016	10,166,679,946	7,496,016,063	2,033,335,988	2,215,444,500

(1) Approved by the Board of Directors on November 10, 2016 and paid as from January 25, 2017.

Other sundry reserves	Reserve from remeasurement of net employee benefit plan liabilities/(assets)	Reserve from measurement of financial instruments	Retained earnings/(Loss carried forward)	Net income for the year	Total shareholders' equity
68,243,876	(9,668,380)	(333,191,360)	6,061,293,373	558,202,514	25,136,430,535
-	-	-	-	-	-
-	-	-	(846,302,202)	(470,167,889)	(1,316,470,091)
-	-	-	-	-	-
-	-	-	88,034,625	(88,034,625)	-
-	(6,262,322)	55,191,519	-	-	48,929,197
-	-	-	-	1,010,654,499	1,010,654,499
68,243,876	(15,930,702)	(277,999,841)	5,303,025,796	1,010,654,499	24,879,544,140
68,243,876	(15,930,702)	(277,999,841)	5,303,025,796	1,010,654,499	24,879,544,140
881	-	-	-	-	881
-	-	-	(813,334,396)	(813,334,396)	(1,626,668,792)
-	-	-	-	(152,664,429)	-
-	-	-	44,655,674	(44,655,674)	-
-	-	-	-	-	2,967,261,556
-	-	-	-	(915,001,195)	(915,001,195)
-	(11,273,042)	(98,254,561)	-	-	(109,527,603)
-	-	-	-	1,719,938,733	1,719,938,733
68,244,757	(27,203,744)	(376,254,402)	4,534,347,074	804,937,538	26,915,547,720

Statement of Cash Flows

Euro

Notes

		2016		2015	
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Income before taxes		1,542,145,811		809,448,441	
Adjustments for:					
Amortization and impairment losses of intangible assets and property, plant and equipment	5.d	16,085,594		12,603,102	
Exchange rate adjustments of foreign currency assets and liabilities		(353,311,142)		274,383,043	
Accruals to provisions		23,768,717		49,937,771	
Dividends from subsidiaries, associates and other companies	6	(2,882,499,648)	(2,876,316,848)	(2,024,387,668)	(2,024,387,668)
Net financial (income)/expense		1,122,415,365	(865,494,981)	452,404,251	1,589,198,831
(Gains)/Losses from disposals and other non-monetary items		432,000,000		314,602,481	
Cash flows from operating activities before changes in net current assets		(99,395,303)		(111,008,579)	
Increase/(Decrease) in provisions		(15,363,660)		(28,744,537)	
(Increase)/Decrease in trade receivables	17	28,356,606	29,925,376	(151,458,645)	(150,839,951)
(Increase)/Decrease in other assets/liabilities		1,404,233,678	(522,698,024)	402,341,325	(414,927,710)
Increase/(Decrease) in trade payables	27	(14,106,282)	8,843,510	25,246,436	4,713,798
Interest income and other financial income collected		1,047,226,510	541,234,816	1,778,925,604	827,993,050
Interest expense and other financial expense paid		(1,806,973,424)	(365,049,730)	(2,528,964,520)	(764,118,403)
Dividends from subsidiaries, associates and other companies	6	2,882,499,648	2,876,316,848	2,024,387,668	2,024,387,668
Income taxes paid (consolidated taxation mechanism)		(915,300,136)		(348,876,817)	
Cash flows from operating activities (a)		2,511,177,637		1,061,847,935	
Investments in property, plant and equipment and intangible assets	10-11	(22,087,927)	(22,158,868)	(14,699,685)	(14,419,589)
Investments in equity investments	13	(386,599,202)	(386,599,202)	(546,800,000)	(546,800,000)
Disposals of equity investments	13	-		1,861,291	1,861,291
Cash flows from investing/disinvesting activities (b)		(408,687,129)		(559,638,394)	
Financial debt (new long-term borrowing)	23	50,000,000		-	
Financial debt (repayments)	23	(3,847,804,205)		(2,394,106,607)	
Net change in long-term financial payables/(receivables)		1,803,737,509	44,836,206	(346,634,658)	45,540,653
Net change in short-term financial payables/(receivables)		(1,358,393,143)	1,409,771,529	2,508,323,348	(15,837,605)
Dividends paid	22	(1,626,668,107)		(1,316,470,887)	
Increase in capital and reserves	22	(10,847,528)		-	
Cash flows from financing activities (c)		(4,989,975,474)		(1,548,888,804)	
Increase/(Decrease) in cash and cash equivalents (a+b+c)		(2,887,484,966)		(1,046,679,263)	
Cash and cash equivalents at the beginning of the year	21	5,925,363,202		6,972,042,465	
Cash and cash equivalents at the end of the year	21	3,037,878,236		5,925,363,202	

Notes to the separate financial statements

1

Form and content of the financial statements

Enel SpA is a corporation (*società per azioni*) that operates in the electricity and gas sector and has its registered office in Viale Regina Margherita 137, Rome, Italy.

In its capacity as holding company, Enel SpA sets the strategic objectives for the Group and its subsidiaries and coordinates their activities. The activities that Enel SpA performs in respect of the other Group companies as part of its management and coordination function, including with regard to the Company's organizational structure, can be summarized as follows:

- > **holding company functions**, associated with the coordination of governance processes at the Group level:
 - Administration, Finance and Control;
 - Human Resources and Organization;
 - Communications;
 - Legal and Corporate Affairs;
 - Innovation and Sustainability;
 - European Affairs;
 - Audit;
- > **global business line functions**, which are responsible for coordination and development of their business in all the geographical areas in which the Group operates:
 - Global Infrastructure and Networks;
 - Global Thermal Generation;
 - Global Renewable Energy;
- > **global service functions**, which are responsible at the Group level for coordinating all information technology and purchasing activities:
 - Global Procurement;
 - Global ICT.

Within the Group, Enel SpA meets liquidity requirements primarily through cash flows generated by ordinary opera-

tions and the use of a range of sources of funds, while managing any excess liquidity appropriately.

As the Parent Company, Enel SpA has prepared the consolidated financial statements of the Enel Group for the year ending December 31, 2016, which form an integral part of this Annual Report pursuant to Article 154-ter, paragraph 1, of the Consolidated Law on Financial Intermediation (Legislative Decree 58 of February 24, 1998).

On March 16, 2017, the Board of Directors authorized the publication of these financial statements at December 31, 2016. These financial statements have undergone statutory auditing by EY SpA.

Basis of presentation

The separate financial statements for the year ended December 31, 2016 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation 2002/1606/EC and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as the "IFRS-EU".

The financial statements have also been prepared in conformity with measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005. The financial statements consist of the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholders' equity and 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 held for sale and liabilities included in disposal groups held for sale, if any. 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 12 months following the close of the financial year; current liabilities are liabilities that are

expected to be settled during the normal operating cycle of the Company or within the 12 months following the close of the financial year.

The income statement is classified on the basis of the nature of costs, with separate reporting of net income/(loss) from continuing operations and net income/(loss) from any discontinued operations.

The indirect method is used for the statement of cash flows, with separate reporting of any cash flows by operating, investing and financing activities associated with discontinued operations, if any.

The income statement, the balance sheet and the statement of cash flows report transactions with related parties, the de-

inition of which is given in the section "Accounting policies and measurement criteria" for the consolidated financial statements.

The financial statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS-EU, as explained in the measurement bases applied to each individual item in the consolidated financial statements.

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

The financial statements provide comparative information in respect of the previous period.

2

Accounting policies and measurement criteria

The accounting policies and measurement criteria are the same, where applicable, as those adopted in the preparation of the consolidated financial statements, to which the reader should refer for more information, with the exception of those regarding equity investments in subsidiaries, associated companies and joint ventures.

Subsidiaries are all entities over which Enel SpA has control. The Company controls an entity when it is exposed to or has rights to variable returns deriving from its involvement and has the ability, through the exercise of its power over the investee, to affect its returns. Power is defined as having the concrete ability to direct the significant activities of the entity by virtue of the existence of substantive rights.

Associates comprise those entities in which Enel SpA has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of investees but not exercise control or joint control over those entities.

Joint ventures are entities over which Enel SpA exercises joint control and has rights to the net assets of the enti-

ties. Joint control means sharing control of an arrangement, which only exists when the decisions over the relevant activities require the unanimous consent of all the parties that share control.

Equity investments in subsidiaries, associates and joint ventures are measured at cost. Cost is adjusted for any impairment losses, which are reversed where the reasons for their recognition no longer obtain. The carrying amount resulting from the reversal may not exceed the original cost.

Where the loss pertaining to Enel SpA exceeds the carrying amount of the investment and the Company is obligated to perform 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.

In the case of a disposal, without economic substance, of an investment to an entity under common control, any difference between the consideration received and the carrying amount of the investment is recognized in equity.

Dividends from equity investments are recognized in profit or loss when the shareholders' right to receive them is established.

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

Recent accounting standards

For information on recent accounting standards, please refer to the corresponding section of the notes to the consolidated financial statements.

Information on the Income Statement

Revenue

4.a Revenue from sales and services - €197 million

“Revenue from sales and services” breaks down as follows.

Millions of euro

	2016	2015	Change
Services			
Group companies	197	237	(40)
Non-Group counterparties	-	-	-
Total revenue from sales and services	197	237	(40)

Revenue from “services” amounted to €197 million and essentially regards 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. That revenue decreased by €40 million compared with the previous year, mainly due to a reduction of €69 million in revenue from communication activities, reflecting the new organizational structure of the Group, which transferred part of communication activities from the holding company to the Countries. This factor was

partially offset by an increase of €30 million in revenue from management fees and technical fees as a result of increased activity with the foreign subsidiaries.

“Revenue from sales and services” breaks down by geographical area as follows:

- > €129 million in Italy (€179 million in 2015);
- > €46 million in the European Union (€30 million in 2015);
- > €13 million in non-EU Europe (€8 million in 2015);
- > €9 million in other countries (€20 million in 2015).

4.b Other revenue and income - €10 million

“Other revenue and income” came to €10 million in 2016. In both 2016 and the previous year it mainly regarded se-

conded personnel, up €2 million from the previous year (€8 million in 2015).

Costs

5.a Consumables - €1 million

Purchases of “consumables” came to €1 million, unchanged from the previous year. They comprise purchases from

non-Group suppliers of consumable materials of various kinds.

5.b Services, leases and rentals - €152 million

Costs for “services, leases and rentals” break down as follows.

Millions of euro

	2016	2015	Change
Services	135	182	(47)
Leases and rentals	17	17	-
Total services, leases and rentals	152	199	(47)

Costs for “services”, totaling €135 million, concerned costs for services provided by third parties in the amount of €73 million (€124 million in 2015) and services provided by Group companies totaling €62 million (€57 million in 2015). More specifically, the decrease in costs for services provided by third parties, equal to €51 million, is mainly attributable to the decline in advertising, communication and print campaign (€37 million) and event organization costs, as a consequence of the new organizational structure adopted by the

Group, which transferred part of communication activities from the holding company to the Countries.

Costs for services rendered by Group companies increased by €4 million mainly due to higher costs incurred in respect of IT services and training provided by the subsidiary Enel Italia Srl.

Costs for “leases and rentals” mainly comprise costs for leasing assets from the subsidiary Enel Servizi Srl and were essentially unchanged on the previous year.

5.c Personnel - €166 million

Personnel costs break down as follows.

Millions of euro

	Notes	2016	2015	Change
Wages and salaries		108	97	11
Social security costs		35	30	5
Post-employment benefits	24	7	(4)	11
Other long-term benefits	24	14	11	3
Other costs and other incentive plans	25	2	42	(40)
Total		166	176	(10)

“Personnel” costs amounted to €166 million, a decrease of €10 million compared with 2015, essentially the result of the reduction of €40 million in “other costs and other incentive plans”, due essentially to the lack of personnel signing up for new early retirement schemes (€36 million). This increase was partly offset by an increase of €11 million in costs in respect of “post-employment benefits”, which in 2015 had been impacted by the reversal of the provision for the

electricity discount (€10 million), and by an increase of €16 million in wages and salaries and the associated social security costs, mainly due to an expansion of the workforce.

The item “post-employment benefits” includes cost for defined benefit plans and for defined contribution plans. In more detail, costs for defined contribution plans amounted to €6 million for 2016, an increase of €1 million compared

with 2015 as a result of the expansion of the workforce. 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, 2016.

	Average number			Headcount
	2016	2015	Change	at Dec. 31, 2016
Senior managers	256	212	44	253
Middle managers	580	549	31	579
Office staff	335	337	(2)	338
Total	1,171	1,098	73	1,170

5.d Depreciation, amortization and impairment losses - €448 million

Millions of euro

	2016	2015	Change
Depreciation	4	3	1
Amortization	12	9	3
Impairment losses	474	315	159
Reversals of impairment losses	42	-	42
Total	448	327	121

“Depreciation, amortization and impairment losses”, amounting to €448 million, increased by €121 million compared with the previous year (€327 million in 2015). More specifically, amortization and depreciation totaled €16 million, of which €4 million in respect of property, plant and equipment and €12 million in respect of intangible assets, an overall increase of €4 million on 2015. This mainly reflected an increase in the average stock of industrial patent and intellectual property rights as a result of investment and the entry into service of assets in the 2nd Half of 2015.

In 2016, “impairment losses” amounted to €474 million and were accounted for by the writedown of the interest in Enel Produzione SpA as a result of the price adjustment

on the sale of the interest in Slovenské elektrarne. In 2015, impairment losses amounted to €315 million, reflecting the impairment recognized on the investments in Enel Trade SpA (€250 million) and Enel Ingegneria e Ricerca SpA (€65 million).

During the year, “reversals of impairment losses” amounted to €42 million and were exclusively accounted for by the positive adjustment of the value of the interest in Enel Trade SpA, essentially reflecting the improvement compared with 2015 in the energy outlook for commodities, especially in the final months of the year.

For more information on the criteria adopted in determining those losses and reversals, please see note 13 below.

5.e Other operating expenses - €17 million

“Other operating expenses” amounted to €17 million, down €7 million on the previous year, mainly due to a reduction of €4 million in association dues paid in 2016 and the updating of estimates of positions arising in previous years in

respect of the litigation provision, which was performed on the basis of the advice of internal and external legal counsel, involving net reversals of €2 million.

Operating income amounted to a negative €577 million, a deterioration of €95 million compared with the previous year, essentially due the joint impact of the recognition in 2016 of greater impairment losses on equity investments in the amount of €159 million and a reduction of €57 million in costs in 2016 for personnel and rental and leases.

6. Income from equity investments - €2,882 million

Income from equity investments, amounting to €2,882 million, collected in full in 2016, regards dividends approved by the shareholders' meetings of the subsidiaries, associated

and other entities (€2,532 million) and the special dividend distributed in September 2016 by Enel Iberoamérica SL (€350 million).

Millions of euro

	2016	2015	Change
Dividends from subsidiaries and associates	2,876	2,023	853
Enel Produzione SpA	304	-	304
e-distribuzione SpA	1,610	1,245	365
Enel.Factor SpA	3	-	3
Enel Italia Srl	-	9	(9)
Enel Energia SpA	358	159	199
Enel Green Power SpA	50	109	(59)
Enel Iberoamérica SL	550	500	50
CESI SpA	1	1	-
Dividends from other entities	6	1	5
Emittenti Titoli SpA	6	1	5
Total	2,882	2,024	858

7. Net financial income/(expense) from derivatives- €(340) million

This item breaks down as follows.

Millions of euro

	2016	2015	Change
Income from derivatives:			
- on behalf of Group companies:	2,515	2,813	(298)
- income from derivatives at fair value through profit or loss	2,515	2,813	(298)
- on behalf of Enel SpA:	272	545	(273)
- income from fair value hedge derivatives	32	33	(1)
- income from cash flow hedge derivatives	158	435	(277)
- income from derivatives at fair value through profit or loss	82	77	5
Total income from derivatives	2,787	3,358	(571)
Expense on derivatives:			
- on behalf of Group companies:	2,520	2,824	(304)
- expense on derivatives at fair value through profit or loss	2,520	2,824	(304)
- on behalf of Enel SpA:	607	200	407
- expense on fair value hedge derivatives	27	27	-
- expense on cash flow hedge derivatives	497	102	395
- expense on derivatives at fair value through profit or loss	83	71	12
Total expense from derivatives	3,127	3,024	103
TOTAL NET FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES	(340)	334	(674)

Net expense from derivatives amounted to €340 million (compared with net income of €334 million in 2015) and essentially reflects the net expense from derivatives entered into on behalf of Enel SpA.

The negative change of €674 million over 2015 reflected higher net expense on fair value hedge derivatives (€672 mil-

lion), all entered into on behalf of Enel SpA on both interest rates and exchange rates.

For more details on derivatives, please see note 31 "Financial instruments" and note 33 "Derivatives and hedge accounting".

8. Other net financial income/(expense) - €(423) million

This item breaks down as follows.

Millions of euro

	2016	2015	Change
Other financial income			
Interest income			
Interest income on long-term financial assets	4	5	(1)
Interest income on short-term financial assets	42	65	(23)
Total	46	70	(24)
Positive exchange rate differences	398	5	393
Income on fair value hedges - post-hedge adjustment	8	4	4
Other financial income	104	98	6
Total other financial income	556	177	379
Other financial expense			
Interest expense			
Interest expense on bank borrowings	32	25	7
Interest expense on bonds	840	930	(90)
Interest expense on other borrowings	54	1	53
Total	926	956	(30)
Negative exchange rate differences	44	279	(235)
Interest expense on post-employment and other employee benefits	6	6	-
Other financial expense	3	2	1
Total other financial expense	979	1,243	(264)
TOTAL OTHER NET FINANCIAL INCOME/(EXPENSE)	(423)	(1,066)	643

Other net financial expense amounted to €423 million, mainly reflecting interest expense on borrowings (€926 million), partly offset by positive exchange rate differences in the amount of €398 million and by other financial income on guarantees granted on behalf of Group companies in the amount of €94 million. The decrease of €643 million in net fi-

ancial expense over 2015 primarily reflected the combined impact of the increase of €393 million in exchange rate gains and the decrease of €235 million in exchange rate losses, both on hedged loans denominated in foreign currencies, which were affected by the positive developments in the euro against the dollar and the pound sterling.

9. Income taxes - €(178) million

Millions of euro

	2016	2015	Change
Current taxes	(184)	(197)	13
Deferred tax income	6	(2)	8
Deferred tax expense	-	(2)	2
Total	(178)	(201)	23

Income taxes for 2016 showed a creditor position of €178 million, mainly as a result in the reduction in the tax base for the corporate income tax (IRES) compared with income before taxes due to the exclusion of 95% of the dividends received from the subsidiaries and the deductibility of Enel SpA's interest expense for the Group's consolidated taxation mechanism in accordance with corporate income tax law (Article 96 of the Uniform Income Tax Code).

The decrease of €23 million compared with the previous year (a creditor position of €201 million) is largely attributable to non-recurring items.

The following table reconciles the theoretical tax rate with the effective tax rate.

Millions of euro

	2016	% rate	2015	% rate
Income before taxes	1,542		810	
Theoretical corporate income taxes (IRES) (27.5%)	424	27.5%	223	27.5%
Tax decreases:				
- dividends from equity investments	(753)	-48.8%	(529)	-65.3%
- prior-year writedowns	(13)	-0.8%	(10)	-1.2%
- other	(7)	-0.5%	(11)	-1.4%
Tax increases:				
- writedowns/(writebacks) for the year	119	7.7%	86	10.6%
- accruals to provisions	7	0.5%	17	2.1%
- prior-year expense	3	0.2%	2	0.2%
- other	25	1.6%	32	4.0%
Total current corporate income taxes (IRES)	(195)	-12.6%	(190)	-23.5%
IRAP	-	-	-	-
Difference on estimated income taxes from prior years	11	0.7%	(7)	-0.9%
Total deferred tax items	6	0.4%	(4)	-0.5%
- of which impact of change in tax rate	1		7	
- of which changes for the year	5		(11)	
TOTAL INCOME TAXES	(178)	-11.5%	(201)	-24.8%

Information on the Balance Sheet

Assets

10. Property, plant and equipment - €9 million

Developments in property, plant and equipment for 2015 and 2016 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	1	3	3	5	19	33	64
Accumulated depreciation	-	(2)	(3)	(5)	(18)	(28)	(56)
Balance at Dec. 31, 2014	1	1	-	-	1	5	8
Capital expenditure	-	-	-	-	-	2	2
Depreciation	-	-	-	-	-	(3)	(3)
Total changes	-	-	-	-	-	(1)	(1)
Cost	1	3	3	5	19	35	66
Accumulated depreciation	-	(2)	(3)	(5)	(18)	(31)	(59)
Balance at Dec. 31, 2015	1	1	-	-	1	4	7
Capital expenditure	-	-	-	-	1	5	6
Depreciation	-	-	-	-	(1)	(3)	(4)
Total changes	-	-	-	-	-	2	2
Cost	1	3	3	5	20	40	72
Accumulated depreciation	-	(2)	(3)	(5)	(19)	(34)	(63)
Balance at Dec. 31, 2016	1	1	-	-	1	6	9

“Property, plant and equipment” totaled €9 million, an increase of €2 million compared with the previous year, essentially attributable to the positive net balance between capital expenditure during the year (€6 million) and depreciation for

the period (€4 million). “Leasehold improvements” mainly regard the renovation and redevelopment of a number of buildings housing Enel SpA’s headquarters.

11. Intangible assets - €18 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, 2014	10	1	11
Capital expenditure	-	13	13
Assets entering service	13	(14)	(1)
Amortization	(9)	-	(9)
Total changes	4	(1)	3
Balance at Dec. 31, 2015	14	-	14
Capital expenditure	9	7	16
Assets entering service	-	-	-
Amortization	(12)	-	(12)
Total changes	(3)	7	4
Balance at Dec. 31, 2016	11	7	18

“Industrial patents and intellectual property rights”, in the amount of €11 million at December 31, 2016, 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 amount of the item decreased by €3 million as compared with the previous year, essentially attributable to amortization for the year (€12 million), partly offset by investment for the year amounting to €9 million. The investments essentially relate to software systems to manage consolidated

and global reporting, risk and centralized finance systems.

“Other intangible assets under development” at December 31, 2016 totaled €7 million. They essentially regarded the Evolution for Energy (E4E) project, which was undertaken at the global level to harmonize and integrate processes and systems to support the global business lines and the Administration, Finance and Control, and Global Procurement functions (€3 million), as well as the New PRIMO project (€1 million), and other projects connected with the evolution of software associated with existing systems.

12. Deferred tax assets and liabilities - €370 million and €246 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, 2015	Increase/(Decrease) taken to income statement	Increase/(Decrease) taken to equity	Other changes	at Dec. 31, 2016
Total					Total
Deferred tax assets					
Nature of temporary differences:					
- accruals to provisions for risks and charges and impairment losses	8	(1)	-	(1)	6
- derivatives	301	-	(2)	-	299
- costs for capital increase	-	-	2	-	2
- other items	64	(5)	3	1	63
Total	373	(6)	3	-	370
Deferred tax liabilities					
Nature of temporary differences:					
- measurement of financial instruments	284	-	(45)	-	239
- other items	7	-	-	-	7
Total	291	-	(45)	-	246
Excess net deferred IRES tax assets after any offsetting	136				169
Excess net deferred IRAP tax liabilities after any offsetting	(54)				(45)

"Deferred tax assets" totaled €370 million (€373 million at December 31, 2015), a decrease of €3 million compared with the previous year, mainly attributable to a reduction of €6 million, recognized in profit or loss, in deferred tax assets connected with provisions for risks and impairment losses, as well as other items, and an increase of €3 million in deferred tax assets recognized in equity, of which €2 million in respect of the tax provision on the transaction costs incurred by the Company in 2016 as a result of the non-proportional partial demerger of Enel Green Power SpA to Enel SpA, which increased the capital of the Parent Company by €763 million.

"Deferred tax liabilities" totaled €246 million (€291 million at December 31, 2015), a decrease of €45 million, due largely to the recognition of deferred taxes on the fair value measurement of cash flow hedge financial instruments.

The amount of deferred tax assets and liabilities was determined by applying a rate of 24% for IRES. IRAP was applied on deferred tax liabilities only at a rate of 5.57% (taking account of regional surtaxes). The amount of deferred tax assets was determined without applying IRAP, 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 - €42,793 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	Capital contributions and loss coverage	Acquisitions/ (Disposals)/ (Settlements)/ (Repayments)
at Dec. 31, 2015							
A) Subsidiaries							
Enel Produzione SpA	4,892	(512)	4	4,384	100.0	-	-
Enel Ingegneria e Ricerca SpA	86	(84)	1	3	100.0	-	-
e-distribuzione SpA	4,054	-	2	4,056	100.0	-	-
Enel Servizio Elettrico SpA	110	-	-	110	100.0	-	-
Enel Trade SpA	1,401	(250)	1	1,152	100.0	-	-
Enel Green Power SpA	3,640	-	2	3,642	68.3	-	3,881
Enel Green Power International BV	-	-	-	-	-	-	-
Enel Investment Holding BV	8,498	(4,473)	-	4,025	100.0	-	-
Enelpower SpA	189	(159)	-	30	100.0	-	-
OpEn Fiber SpA	5	-	-	5	100.0	360	-
Enel Energia SpA	1,321	(8)	-	1,313	100.0	-	-
Enel Iberoamérica SL	18,300	-	-	18,300	100.0	-	-
Enel.Factor SpA	18	-	-	18	100.0	-	-
Enel Sole Srl	5	-	-	5	100.0	-	-
Enel Italia Srl	525	(41)	3	487	100.0	-	-
Enel.NewHydro Srl	70	(54)	-	16	100.0	-	-
Enel Finance International NV	1,414	-	-	1,414	100.0	-	-
Total	44,528	(5,581)	13	38,960		360	3,881
B) Joint ventures							
OpEn Fiber SpA	-	-	-	-	-	-	-
Total	-	-	-	-		-	-
C) Associates							
CESI SpA	23	-	-	23	42.7	-	-
Total	23	-	-	23		-	-
D) Other companies							
Elcogas SA	5	(5)	-	-	4.3	-	-
Emittenti Titoli SpA	1	-	-	1	10.0	-	-
Idrosicilia SpA	-	-	-	-	1.0	-	-
Total	6	(5)	-	1		-	-
TOTAL	44,557	(5,586)	13	38,984		360	3,881

Formation/ Contributions (+/-)/Mergers (+/-)/ Demergers(+/-)	Value adjustments	Reclassification	Balance	Original cost	(Writedowns)/ Revaluations	Other changes - IFRIC 11 and IFRS 2	Carrying amount	% holding
Changes in 2016				at Dec. 31, 2016				
-	(474)	-	(474)	4,892	(986)	4	3,910	100.0
-	-	-	-	86	(84)	1	3	100.0
-	-	-	-	4,054	-	2	4,056	100.0
-	-	-	-	110	-	-	110	100.0
-	42	-	42	1,401	(208)	1	1,194	100.0
(983)	-	-	2,898	6,538	-	2	6,540	100.0
-	-	-	-	-	-	-	-	-
-	-	-	-	8,498	(4,473)	-	4,025	100.0
-	-	-	-	189	(159)	-	30	100.0
-	-	(365)	(5)	-	-	-	-	-
-	-	-	-	1,321	(8)	-	1,313	100.0
-	-	-	-	18,300	-	-	18,300	100.0
-	-	-	-	18	-	-	18	100.0
-	-	-	-	5	-	-	5	100.0
-	-	-	-	525	(41)	3	487	100.0
-	-	-	-	70	(54)	-	16	100.0
983	-	-	983	2,397	-	-	2,397	100.0
-	(432)	(365)	3,444	48,404	(6,013)	13	42,404	
-	-	365	365	365	-	-	365	50.0
-	-	365	365	365	-	-	365	
-	-	-	-	23	-	-	23	42.7
-	-	-	-	23	-	-	23	
-	-	-	-	5	(5)	-	-	4.3
-	-	-	-	1	-	-	1	10.0
-	-	-	-	-	-	-	-	1.0
-	-	-	-	6	(5)	-	1	
-	(432)	-	3,809	48,798	(6,018)	13	42,793	

The table below reports changes in equity investments in 2016.

Millions of euro

Increases

Partial non-proportional demerger of Enel Green Power SpA ("EGP SpA") to Enel SpA - Acquisition of portion of EGP SpA (31.7%) held by non-controlling shareholders	3,881
Partial non-proportional demerger of Enel Green Power SpA to Enel SpA - Assignment of total interest in Enel Green Power International BV	5,475
Demerger from Enel Green Power International BV of assets and liabilities to Enel Finance International NV	983
Cross-border merger of Enel Green Power International BV into Enel Green Power SpA	4,492
Recapitalization of OpEn Fiber SpA (formerly Enel OpEn Fiber SpA)	120
Capital contribution to OpEn Fiber SpA	236
Capitalization of transaction costs on interest in OpEn Fiber SpA	4
Reclassification of interest in OpEn Fiber from "subsidiary" to "joint venture"	365
Writeback of equity investment in Enel Trade SpA	42
Total	15,598

Decreases

Partial non-proportional demerger of Enel Green Power SpA to Enel SpA - Reduction in value of interest in Enel Green Power SpA	(5,475)
Demerger from Enel Green Power International BV of assets and liabilities to Enel Finance International NV	(983)
Cross-border merger of Enel Green Power International BV into Enel Green Power SpA	(4,492)
Reclassification of interest in OpEn Fiber from "subsidiary" to "joint venture"	(365)
Writedown of equity investment in Enel Produzione SpA	(474)
Total	(11,789)
NET CHANGE	3,809

In 2016 the value of investments in subsidiaries, associated and other entities increased by €3,809 million as a result of:

- > the partial non-proportional demerger of Enel Green Power SpA to Enel SpA with effect as from the last moment of March 31, 2016, which involved:
 - the acquisition by Enel SpA of the share of Enel Green Power SpA held by non-controlling interests. Following the transaction, Enel SpA became the sole shareholder of Enel Green Power SpA;
 - the assignment to Enel SpA of the 100% interest in the Netherlands-registered Enel Green Power International BV and the consequent adjustment of the value of the interest in Enel Green Power SpA on the basis of the reallocation between foreign and Italian assets, as provided for in the merger instrument;
- > the demerger in October 2016 from Enel Green Power International BV of assets and liabilities with a net value of €983 million to Enel Finance International NV;
- > the cross-border merger in October 2016 of Enel Green Power International BV into Enel Green Power SpA, with

the consequent acquisition by the latter of all the assets, liabilities, rights and obligations of the merged company by way of universal succession. The merger also produced the extinction without liquidation of Enel Green Power International BV;

- > the capital increase on July 7, 2016 of the subsidiary Enel OpEn Fiber SpA (renamed OpEn Fiber SpA as from December 1, 2016) by way of payment on the intercompany current account of €120 million. Subsequently, as provided for in the framework investment agreement signed on October 10, 2016, by Enel SpA, Enel OpEn Fiber SpA, CDP Equity SpA, FSI Investimenti SpA, F2i Fondi Italiani per le Infrastrutture SGR SpA and Metroweb Italia SpA, a capital increase reserved for CDP Equity SpA was carried out in December 2016 in the amount of €125 million. In order to permit the equal capitalization of OpEn Fiber SpA by Enel SpA and CDP Equity SpA, as well as to give the company the financial resources necessary to acquire the entire share capital of Metroweb Italia SpA, in December Enel SpA executed its share of a capital contribution of

€236 million. On December 20, 2016, OpEn Fiber SpA completed the acquisition of the entire share capital of Metroweb Italia SpA from F2i Fondi Italiani per le Infrastrutture SGR SpA and FSI Investimenti SpA for about €714 million. As from that date Enel SpA and CDP Equity SpA hold equal interests in Open Fiber SpA. Accordingly, the value of the interest (including transaction costs of €4 million) recognized in the accounts of Enel SpA has been reclassified under joint ventures;

- > a writeback of €42 million in the value of the interest held in Enel Trade SpA to take account of the improvement in the outlook for energy commodities compared with 2015;

- > a writedown of €474 million in the value of the interest held in Enel Produzione SpA in order to reflect the price adjustment on the sale of Slovenské elektrarne. The writedown was calculated using a discounted cash flow model that confirmed the full recoverability of the residual value, even though it was greater than the book equity of the investee.

The following table reports the main assumptions used in determining the impairment and reversal of impairment of Enel Produzione SpA and Enel Trade SpA respectively.

Millions of euro	Original cost	Growth rate ⁽¹⁾	Discount rate pre-tax WACC ⁽²⁾	Explicit period of cash flows	Terminal value ⁽³⁾	Original cost	Growth rate ⁽¹⁾	Discount rate pre-tax WACC ⁽²⁾	Explicit period of cash flows	Terminal value ⁽³⁾
at Dec. 31, 2016						at Dec. 31, 2015				
Enel Produzione SpA	4,384	0.65%	9.65%	5 years	Perpetuity	-	-	-	-	-
Enel Trade SpA	1,152	1.70%	9.62%	5 years	Perpetuity	1,402	1.90%	9.37%	5 years	Perpetuity

(1) Perpetual growth rate of cash flows after explicit period.

(2) Pre-tax WACC calculated using the iterative method: the discount rate that ensures that the value in use calculated with pre-tax cash flows is equal to that calculated with post-tax cash flows discounted with the post-tax WACC.

(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.

The recoverable value of the equity investments recognized through the impairment tests was estimated by calculating the equity value of the investments through an estimate of their value in use using discounted cash flow models, which involve estimating expected future cash flows and applying an appropriate discount rate, selected on the basis of market inputs such as risk-free rates, betas and market risk premiums.

For the purpose of comparing value with the carrying amount of the investments, the enterprise value resulting from the estimation of future cash flows was converted into the equity value by subtracting the net financial position of the investee.

Cash flows were determined on the basis of the best information available at the time of the estimate and drawn

for the explicit period, from the 5-year 2017-2021 Business Plan approved by the Board of Directors of the Parent Company containing forecasts for volumes, revenue, operating costs, capital expenditure, industrial and commercial organization and developments in the main macroeconomic variables (inflation, nominal interest rates and exchange rates) and commodity prices. The explicit period of cash flows considered in impairment testing was five years.

The terminal value was calculated as a perpetuity or annuity.

The share certificates for Enel SpA's investments in Italian subsidiaries are held in custody at Monte dei Paschi di Siena. The following table reports the share capital and shareholders' equity of the investments in subsidiaries, associates and other companies at December 31, 2016.

	Registered office	Currency	Share capital (euro)	Shareholders' equity (millions of euro)	Prior year income/ (loss) (millions of euro)	% holding	Carrying amount (millions of euro)
A) Subsidiaries							
Enel Produzione SpA	Rome	Euro	1,800,000,000	3,838	(379)	100.0	3,910
Enel Ingegneria e Ricerca SpA	Rome	Euro	30,000,000	21	(8)	100.0	3
e-distribuzione SpA	Rome	Euro	2,600,000,000	4,568	1,451	100.0	4,056
Enel Servizio Elettrico SpA	Rome	Euro	10,000,000	190	124	100.0	110
Enel Trade SpA	Rome	Euro	90,885,000	658	(104)	100.0	1,194
Enel Green Power SpA	Rome	Euro	272,000,000	6,610	50	100.0	6,540
Enel Investment Holding BV ⁽¹⁾	Amsterdam	Euro	1,593,050,000	4,710	284	100.0	4,025
Enelpower SpA	Milan	Euro	2,000,000	30	-	100.0	30
Enel Energia SpA	Rome	Euro	302,039	1,759	680	100.0	1,313
Enel Iberoamérica SL	Madrid	Euro	500,000,000	20,584	1,104	100.0	18,300
Enel.Factor SpA	Rome	Euro	12,500,000	53	4	100.0	18
Enel Sole Srl	Rome	Euro	4,600,000	78	15	100.0	5
Enel Italia Srl	Rome	Euro	50,000,000	408	23	100.0	487
Enel.NewHydro Srl	Rome	Euro	1,000,000	20	1	100.0	16
Enel Finance International NV	Amsterdam	Euro	1,478,810,370	2,006	45	100.0	2,397
B) Joint ventures							
OpEn Fiber SpA	Milan	Euro	250,000,000	713	(7)	50.0	365
C) Associates							
CESI SpA ⁽²⁾	Milan	Euro	8,550,000	101	9	42.7	23
D) Other companies							
Elcogas SA ⁽²⁾	Puertollano	Euro	809,690	(105)	(26)	4.3	-
Emittenti Titoli SpA ⁽²⁾	Milan	Euro	4,264,000	72	63	10.0	1
Idrosicilia SpA ⁽²⁾	Milan	Euro	22,520,000	46	3	1.0	-

(1) The figures for shareholders' equity and the results for the period refer to the Group.

(2) The figures for share capital, shareholders' equity and net income refer to the financial statements at December 31, 2015.

The carrying amounts of the equity investments in Enel Italia Srl, Enel Finance International NV, as well as those in Enel Trade SpA and Enel Produzione SpA, are considered to be recoverable even though they individually exceed the value of the respective shareholders' equity at December 31, 2016. This circumstance is not felt to represent an impairment loss in respect of the investment but rather a temporary mismatch between the two amounts. More specifically:

- > in the case of Enel Italia Srl it is attributable to the retroactive application of "IAS 19 - Employee benefits" in 2013, which involved the recognition of net actuarial losses and the consequent impact on the companies' shareholders' equity. As these losses are not monetary in nature, they

will be recovered in future years with no cash outflow for the subsidiaries;

- > as to Enel Finance International NV, it is due essentially to a 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, 2016 all regard unlisted companies and are measured at cost, as the fair value cannot be reliably determined.

The investment in Elcogas was written off in 2014 and since January 1, 2015 the company, in which Enel has a stake of 4.3%, has been in liquidation. The profit participation loan of €6 million granted in 2014 has also been written down to take account of accumulated losses.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015
Equity investments in unlisted companies measured at cost	1	1
Elcogas SA	-	-
Emittenti Titoli SpA	1	1
Idrosicilia SpA	-	-

14. Derivatives - €2,469 million, €480 million, €3,082 million, €556 million

Millions of euro	Non-current		Current	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Derivative financial assets	2,469	2,591	480	299
Derivative financial liabilities	3,082	2,717	556	367

For more details about the nature, recognition and classification of derivative financial assets and liabilities, please see notes 31 "Financial instruments" and 33 "Derivatives and hedge accounting".

15. Other non-current financial assets - €53 million

The aggregate is composed of the following.

Millions of euro	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Change
Prepaid financial expense		21	30	(9)
Other non-current financial assets included in debt	15.1	32	77	(45)
Total		53	107	(54)

"Prepaid financial expense" is essentially 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, as well as those in respect of the Forward Start Facility Agreement signed on February 8, 2013, and the subsequent renegotiation of the facility on

February 12, 2015 in the amount of €9.4 billion. The renegotiation involved a general reduction in the cost of the facility and extended its term until 2020. The item reports the non-current portion of those costs and their reversal through profit or loss depends on the type of fee involved and the maturity of the credit line.

15.1 Other non-current financial assets included in debt - €32 million

Millions of euro	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Change
Financial receivables				
Due from subsidiaries	31.1.1	27	72	(45)
Other financial receivables		5	5	-
Total		32	77	(45)

“Financial receivables due from subsidiaries”, amounting to €27 million, refer to receivables in respect of the assumption by Group companies of their share of financial debt. 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. At December 31, 2016, the entirety of this receivable regarded the subsidiary Enel Italia Srl, as the principal amounts

pertaining to the other Group companies involved (Enel Produzione SpA, e-distribuzione SpA, Enel Sole Srl) had been fully repaid as of that date.

The decrease of €45 million over December 31, 2015 is attributable to the reduction of the amount of the receivable as a result of repayment of principal and the reclassification under other current financial assets of the portion of receivables of Enel Italia Srl falling due within 12 months.

16. Other non-current assets - €188 million

This item can be broken down as follows.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Tax receivables	34	244	(210)
Receivables from subsidiaries for assumption of supplementary pension plan liabilities	154	162	(8)
Other long-term receivables	-	3	(3)
Total	188	409	(221)

“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 2004-2011 for excess income tax paid as a result of not partially deducting IRAP in calculating taxable income for IRES purposes. This item decreased by €210 million over the previous year mainly due to the reimbursement of nearly all (€229 million in principal and interest) of the receivable for 2004-2010 and the updating at December 31, 2016 of the accrued portion of the residual receivable following the reimbursement from the Revenue Agency.

The item “receivables from subsidiaries for assumption of supplementary pension plan liabilities” in the amount of €154 million refers to receivables in respect of the assumption by Group companies of their share of the supplementary pen-

sion plan. The terms of the agreement state that the Group companies concerned are to reimburse the costs of extinguishing defined benefit obligations of the Parent Company, which are recognized under “employee benefits”.

On the basis of actuarial forecasts made using current assumptions, the portion due beyond five years of the “receivables from subsidiaries for assumption of supplementary pension plan liabilities” came to €90 million (€100 million at December 31, 2015).

“Other long-term receivables” amounted to €0 million at December 31, 2016, a decrease of €3 million due to the collection of the receivable due from the subsidiary Enel Ingegneria e Ricerca SpA for the sale in 2011 of the interest held in Sviluppo Nucleare Italia Srl.

17. Trade receivables - €255 million

The item breaks down as follows.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Trade receivables:			
- due from subsidiaries	229	276	(47)
- due from non-Group customers	26	7	19
Total	255	283	(28)

Trade receivables, which totaled €255 million, consist of receivables due from subsidiaries (€229 million) and non-Group customers (€26 million).

Trade receivables due from subsidiaries primarily regard the management and coordination services and other activities performed by Enel SpA on behalf of Group companies. The decrease of €47 million over December 31, 2015 is linked both with the new organizational structure of the Group, which transferred part of communication activities from the

holding company to the Countries, and with developments in the revenue associated with those services.

Trade receivables due from non-Group customers regard services of various types. They totaled €26 million, an increase of €19 million compared with December 31, 2015, attributable to the exit of a number of companies from the Group.

Trade receivables due from subsidiaries break down as follows.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Subsidiaries			
Enel Iberoamérica SL	2	1	1
Enel Produzione SpA	16	23	(7)
e-distribuzione SpA	34	44	(10)
Enel Green Power SpA	16	17	(1)
Enel Américas SA	4	3	1
Endesa SA	-	(1)	1
Enel Servizio Elettrico SpA	4	3	1
Enel Trade SpA	4	5	(1)
Enel Energia SpA	10	7	3
Enel Italia Srl	9	78	(69)
Enel.si Srl	-	1	(1)
Enel Green Power North America Inc.	1	1	-
Enel Russia PJSC	17	18	(1)
Endesa Distribución Eléctrica SL	36	19	17
Endesa Generación SA	20	3	17
Endesa Energía SA	5	4	1
Enel Romania Srl	4	4	-
Enel Brasil SA	13	15	(2)
Enel Distribución Perú SAA	5	2	3
Enel Generación Perú SAA	5	2	3
Slovenské elektrárne AS	-	16	(16)
Unión Eléctrica de Canarias Generación SAU	5	1	4
Other	19	10	9
Total	229	276	(47)

Trade receivables by geographical area are shown below.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Italy	96	181	(85)
EU	103	56	47
Non-EU Europe	6	22	(16)
Other	50	24	26
Total	255	283	(28)

18. Income tax receivables - €212 million

Income tax receivables at December 31, 2016 amounted to €212 million and essentially regard the Company's IRES credit for current 2016 taxes (€195 million) and the receivable with respect to consolidated IRES return for 2015 (€14 million).

19. Other current financial assets - €4,221 million

This item can be broken down as follows.

Millions of euro

	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Change
Other current financial assets included in net financial debt	19.1	3,912	3,052	860
Other sundry current financial assets		309	351	(42)
Total		4,221	3,403	818

19.1 Other current financial assets included in debt - €3,912 million

Millions of euro

	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Change
Financial receivables due from Group companies:				
- short-term financial receivables (intercompany current accounts)	31.1.1	2,849	2,912	(63)
- current portion of receivables for assumption of loans	31.1.1	45	46	(1)
Financial receivables due from others:				
- current portion of long-term financial receivables		1	-	1
- other financial receivables		5	8	(3)
- cash collateral for margin agreements on OTC derivatives	31.1.1	1,012	86	926
Total		3,912	3,052	860

"Other current financial assets included in debt", amounting to €3,912 million at December 31, 2016, refer to "financial receivables due from Group companies" (€2,894 million) and "financial receivables due from others" (€1,018 million). "Financial receivables due from Group companies" decreased by €64 million over December 31, 2015, due to the decline

in short-term financial receivables due from Group companies on the intercompany current account (€63 million).

"Financial receivables due from others" increased by €924 million, essentially attributable to the increase in cash collateral paid to counterparties for OTC derivatives on interest rates and exchange rates.

20. Other current assets - €299 million

At December 31, 2016, the item broke down as follows.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Tax receivables	34	21	13
Other receivables due from Group companies	261	422	(161)
Receivables due from others	4	17	(13)
Total	299	460	(161)

“Other current assets” decreased by €161 million as compared with December 31, 2015.

“Tax receivables” amounted to €34 million, primarily accounted for by the VAT receivable for the Group (€27 million) and other receivables with respect to prior-year income taxes (€7 million). The increase of €13 million on the previous year is essentially due to the larger VAT receivable for the Group.

“Other receivables due from Group companies” comprise IRES receivables in respect of the Group companies participating in the consolidated taxation mechanism (€208 mil-

lion), and VAT receivables in respect of participating in the Group VAT mechanism (€53 million). The decrease of €161 million on the previous year is essentially attributable to a decline in intercompany IRES receivables connected with the consolidated taxation mechanism (€104 million), and the Group consolidated VAT mechanism (€57 million).

“Receivables due from others” amounted to €4 million at December 31, 2016, a decrease of €13 million over the previous year, mainly reflecting the decline in the value of prepaid expenses (€9 million).

21. Cash and cash equivalents - €3,038 million

Cash and cash equivalents are detailed in the following table.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Bank and post office deposits	3,038	5,925	(2,887)
Cash and cash equivalents on hand	-	-	-
Total	3,038	5,925	(2,887)

Cash and cash equivalents amounted to €3,038 million, a decrease of €2,887 million compared with December 31, 2015, mainly due to the impact of the redemption and repurchase of a number of bonds, the payment of dividends

during 2015 as approved by the Shareholders' Meeting of Enel SpA on May 26, 2016, as well as normal operations connected with the central treasury function performed by the Parent Company.

Liabilities

22. Shareholders' equity - €26,916 million

Shareholders' equity amounted to €26,916 million, up €2,036 million compared with December 31, 2015. The increase is attributable to net income for the year (€1,610 million), the partial, non-proportional demerger of the subsidiary Enel Green Power to Enel SpA, which involved increases in share capital and the share premium reserve (€764 million and €2,204

million respectively), the distribution of the dividend for 2015 in the amount of €0.16 per share (for a total of €1,627 million), as approved by the shareholders on May 26, 2016, and the interim dividend for 2016 approved by the Board of Directors on November 10, 2016 and paid as from January 25, 2017 (€0.09 per share, for a total of €915 million).

Share capital - €10,167 million

At December 31, 2016, the share capital of Enel SpA amounted to €10,166,679,946 fully subscribed and paid up, represented by 10,166,679,946 ordinary shares with a par value of €1.00 each. The share capital of Enel SpA has therefore increased by €763,322,151 compared with the €9,403,357,795 registered at December 31, 2015, as a result of the partial, non-proportional demerger of the subsidiary Enel Green Power SpA to Enel SpA, which took effect as from March 31, 2016.

Other reserves - €11,410 million

Share premium reserve - €7,496 million

Following the partial, non-proportional demerger of Enel Green Power SpA to Enel SpA, the share premium reserve increased by €2,212 million. This was partially offset by the recognition of transaction costs of €11 million and the associated overall tax effect of €3 million. As a result, at December 31, 2016 the reserve amounted to €7,496 million.

Legal reserve - €2,034 million

The legal reserve, following the allocation of net income for 2015 by the Shareholders' Meeting of May 26, 2016, is equal to 20.0% of share capital, as indicated in Article 2430, paragraph 1, of the Italian Civil Code.

Reserve pursuant to Law 292/1993 - €2,215 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 Income Tax Code shall apply.

Other sundry reserves - €68 million

Other sundry reserves include €19 million related to the reserve for capital grants, which reflects 50% of the grants received from Italian public entities and EU bodies in applica-

tion of related laws for new works (pursuant to Article 55 of Presidential Decree 917/1986), which is recognized in equity in order to take advantage of tax deferment benefits. It also includes €29 million in respect of the stock option reserve and €20 million for other reserves.

tion of related laws for new works (pursuant to Article 55 of Presidential Decree 917/1986), which is recognized in equity in order to take advantage of tax deferment benefits. It also includes €29 million in respect of the stock option reserve and €20 million for other reserves.

Reserve from measurement of financial instruments - €(376) million

At December 31, 2016, the item was entirely represented by the reserve from measurement of cash flow hedge derivatives with a negative value of €376 million (net of the positive tax effect of €59 million).

Reserve from remeasurement of net employee benefit plan liabilities/(assets) - €(27) million

At December 31, 2016, the employee benefit plan reserve amounted to €27 million (net of the positive tax effect of €6 million). The reserve includes all actuarial gains and losses recognized directly in equity, as the corridor approach is no longer permitted under the revised version of "IAS 19 - Employee benefits".

The table below provides a breakdown of changes in the reserve from measurement of financial instruments and the reserve from measurement of defined benefit plan liabilities/assets in 2015 and 2016.

Millions of euro		Gross gains/ (losses) recognized in equity for the year	Gross released to income statement	Taxes		Gross gains/ (losses) recognized in equity for the year	Gross released to income statement	Taxes	
	at Jan. 1, 2015				at Dec. 31, 2015				at Dec. 31, 2016
Reserve from measurement of cash flow hedge financial instruments	(332)	441	(334)	(52)	(277)	(479)	339	41	(376)
Reserve from remeasurement of net employee benefit plan liabilities/(assets)	(10)	(5)	-	(1)	(16)	(15)	-	4	(27)
Gains/(Losses) recognized directly in equity	(342)	436	(334)	(53)	(293)	(494)	339	45	(403)

Retained earnings/(Loss carried forward) - €4,534 million

For 2016, the item shows a decrease of €769 million, attributable to the resolution of the Shareholders' Meeting of May 26, 2016, which provided for the use of this reserve in the amount

of €813 million for the distribution of dividends to shareholders and the allocation to "retained earnings" of part of the net income for 2015, equal to €44 million.

Net income - €805 million

Net income for 2016, net of the interim dividend for 2016 of €0.09 per share (for a total of €915 million), amounted to

€805 million. The table below shows the availability of shareholders' equity for distribution.

Millions of euro		at Dec. 31, 2016	Possible uses	Amount available
Share capital		10,167		
Capital reserves:				
- share premium reserve		7,496	ABC	7,496
Income reserves:				
- legal reserve		2,034	B	
- reserve pursuant to Law 292/1993		2,215	ABC	2,215
- reserve from measurement of financial instruments		(376)		
- reserve for capital grants		19	ABC	19
- stock option reserve		29	ABC	29 ^{(1) (2)}
- reserve from remeasurement of employee benefit plan liabilities		(27)		
- other		20	ABC	20
Retained earnings/(Loss carried forward)		4,534	ABC	4,534
Total		26,111		14,313
<i>of which amount available for distribution</i>				<i>14,310</i>

A: for capital increases.

B: to cover losses.

C: for distribution to shareholders.

(1) Regards lapsed options.

(2) Not distributable in the amount of €3 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 departu-

res pursuant to Article 2423, paragraph 4, of the Italian Civil Code.

Note that in the three previous years, the available reserve denominated “retained earnings/(loss carried forward)” has been used in the amount of €1,659 million for the distribution of dividends to shareholders.

Enel's goals in capital management are focused on the creation of value for shareholders, safeguarding the interests of stakeholders and ensuring 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.

22.1 Dividends

The table below shows the dividends paid by the Company in 2015 and 2016.

	Amount distributed (in millions of euro)	Net dividend per share (in euro)
Dividends paid in 2015		
Dividends for 2014	1,316	0.14
Interim dividend for 2015	-	-
Special dividends	-	-
Total dividends paid in 2015	1,316	0.14
Dividends paid in 2016		
Dividends for 2015	1,627	0.16
Interim dividend for 2016 ⁽¹⁾	-	-
Special dividends	-	-
Total dividends paid in 2016	1,627	0.16

(1) Approved by the Board of Directors on November 10, 2016 and paid as from January 25, 2017 (interim dividend per share of €0.09 for a total of €915 million).

The dividend for 2016, equal to €0.18 per share, amounting to a total of €1,830 million (of which €0.09 per share, for a total of €915 million, already paid as an interim dividend as from January 25, 2017), is to be proposed at the Shareholders' Meeting of May 4, 2017, at a single call. These finan-

cial statements do not reflect the effects of the distribution of this dividend for 2016 to shareholders, with the exception of liabilities due to shareholders for the 2016 interim dividend approved by the Board of Directors on November 10, 2016 and paid as from January 25, 2017.

22.2 Capital management

The Company's objectives for managing capital comprise safeguarding the business as a going concern, creating value for stakeholders and supporting the development of the Group. In particular, the Group seeks to maintain an adequate capitalization that enables it to achieve a satisfactory return for shareholders and ensure access to external sources of financing, in part by maintaining an adequate rating.

In this context, the Company manages its capital structure

and adjusts that structure when changes in economic conditions so require. There were no substantive changes in objectives, policies or processes in 2016.

To this end, the Company constantly monitors developments in the level of its debt in relation to equity. The situation at December 31, 2016 and 2015 is summarized in the following table.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Non-current financial position	(13,664)	(14,503)	839
Net current financial position	(207)	1,001	(1,208)
Non-current financial receivables and long-term securities	32	77	(45)
Net financial debt	(13,839)	(13,425)	(414)
Shareholders' equity	26,916	24,880	2,036
Debt/equity ratio	(0.51)	(0.54)	0.03

23. Borrowings - €13,664 million, €973 million, €6,184 million

Millions of euro	Non-current		Current	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Long-term borrowings	13,664	14,503	973	3,062
Short-term borrowings	-	-	6,184	4,914

For more details about the nature, recognition and classification of borrowings, please see note 31 "Financial instruments".

24. Employee benefits - €286 million

The Company provides its employees with a variety of benefits, including termination benefits, additional months' pay, indemnities in lieu of notice, loyalty bonuses for achievement of seniority milestones, supplementary pension plans, supplementary healthcare plans, additional indemnity for FOPEN pension contributions, FOPEN pension contributions in excess of deductible amount and personnel incentive plans.

The item includes accruals made to cover post-employment

benefits under defined benefit plans and other long-term benefits to which employees are entitled under statute, contract or other form of employee incentive scheme.

These obligations, in accordance with IAS 19, were determined using the projected unit credit method.

The following table reports the change during the year in the defined benefit obligation, as well as a reconciliation of the defined benefit obligation with the obligation recognized in the balance sheet at December 31, 2016 and December 31, 2015.

Millions of euro

	2016					2015				
	Pension benefits	Electricity discount	Health insurance	Other benefits	Total	Pension benefits	Electricity discount	Health insurance	Other benefits	Total
CHANGES IN ACTUARIAL OBLIGATION										
Actuarial obligation at January 1	230	-	37	24	291	242	11	35	14	302
Current service cost	-	-	1	14	15	6	-	-	11	17
Interest expense	5	-	1	-	6	5	-	1	-	6
Actuarial (gains)/losses arising from changes in demographic assumptions	1	-	(1)	-	-	-	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	10	-	3	-	13	-	-	-	-	-
Experience adjustments	1	-	1	-	2	6	-	-	-	6
Past service cost	-	-	-	-	-	(1)	-	-	-	(1)
(Gains)/Losses arising from settlements	-	-	-	-	-	-	(10)	-	-	(10)
Other payments	(26)	-	(3)	(15)	(44)	(33)	(1)	(2)	(4)	(40)
Other changes	1	-	1	1	3	5	-	3	3	11
Actuarial obligation at December 31	222	-	40	24	286	230	-	37	24	291

Millions of euro

	2016	2015
(Gains)/Losses charged to profit or loss		
Service cost	15	16
Interest expense	6	6
(Gains)/Losses arising from settlements	-	(10)
Total	21	12

Millions of euro

	2016	2015
Remeasurement (gains)/losses in OCI		
Actuarial (gains)/losses on defined benefit plans	15	6
Other changes	-	-
Total	15	6

The current service cost for employee benefits in 2016 amounted to €15 million, recognized under personnel costs (€17 million in 2015), while the interest cost from the accretion of the liability amounted to €6 million (as in 2015).

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.

	2016	2015
Discount rate	0.30%-1.40%	0.50%-2.15%
Rate of wage increases	1.40%-3.40%	1.6%-3.60%
Rate of increase in healthcare costs	2.40%	2.60%

The following table reports the outcome of a sensitivity analysis that demonstrates the effects on the liability for healthcare plans as a result of changes reasonably possible

at the end of the year in the actuarial assumptions used in estimating the obligation.

Millions of euro

	An increase of 0.5% in discount rate	A decrease of 0.5% in discount rate	An increase of 0.5% in inflation rate	An increase of 0.5% in remuneration	An increase of 0.5% in pensions currently being paid	An increase of 1% in healthcare costs	An increase of 1 year in life expectancy of active and retired employees
Healthcare plans: ASEM	(2)	3	3	3	3	6	2

25. Provisions for risks and charges - €68 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	
	Accruals	Reversals	Utilization			
at Dec. 31, 2015					at Dec. 31, 2016	
						of which current portion
Provision for litigation, risks and other charges:						
- litigation	15	2	(5)	-	12	7
- other	6	25	-	(3)	28	25
Total	21	27	(5)	(3)	40	32
Provision for early retirement incentives	32	-	(1)	(3)	28	3
TOTAL	53	27	(6)	(6)	68	35

The decrease in the litigation provision amounted to €3 million, essentially reflecting the revision of estimates for a number of outstanding disputes.

The provision covers disputes in Italy and essentially regards labor litigation (€9 million) and litigation concerning tender contracts (€2 million).

The increase of €22 million in other provisions is attributable the provision for other risks and the payments made through the use of the “compensation” provision, esta-

lished on December 31, 2015, following the elimination of the electricity discount benefit for retired personnel with effect from January 1, 2016 after the termination of the agreement on rate discounts for retired personnel and their survivors.

The decrease in the provision for early retirement incentives (€4 million) is essentially attributable to payments in 2016 of voluntary terminations under Article 4 of the Fornero Act.

26. Other non-current liabilities - €36 million

"Other non-current liabilities" amounted to €36 million (€243 million at December 31, 2015). They essentially regard the debt towards Group companies that initially arose following Enel SpA's application (submitted in its capacity as the consolidating company) for reimbursement for 2004-2011 of the additional income taxes paid as a result of not deducting part of IRAP in computing taxable income for IRES purposes. The liability in respect of the subsidiaries is balanced by the re-

cognition of non-current tax receivables (note 16). The decrease of €207 million is largely attributable to the payment to the consolidated companies of nearly all (€227 million) of the reimbursement of the receivable for 2004-2010 received from the Revenue Agency in 2016 (€229 million including Enel SpA's share of €2 million). The amount of the liability at December 31, 2016 reflects the updating of the interest accrued on the residual receivable.

27. Trade payables - €150 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Trade payables:			
- due to third parties	83	105	(22)
- due to Group companies	67	59	8
Total	150	164	(14)

"Trade payables" mainly include payables for the supply of services and other activities performed in 2016, and comprise payables due to third parties of €83 million (€105 million at December 31, 2015) and payables due to Group compa-

nies of €67 million (€59 million at December 31, 2015).

Trade payables due to subsidiaries at December 31, 2016 break down as follows.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Subsidiaries			
Enel Produzione SpA	1	1	-
Enel Ingegneria e Ricerca SpA	1	1	-
Enel Servizio Elettrico SpA	1	1	-
Enel Trade SpA	1	1	-
Enel Italia Srl	41	36	5
Enel Iberoamérica SL	10	8	2
Enel.Factor SpA	1	2	(1)
Endesa SA	2	1	1
Enel Russia PJSC	3	4	(1)
Sviluppo Nucleare Italia Srl	-	-	-
Other	6	4	2
Total	67	59	8

Trade payables break down by geographical area as follows.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Suppliers			
Italy	119	132	(13)
EU	20	18	2
Non-EU Europe	7	10	(3)
Other	4	4	-
Total	150	164	(14)

28. Other current financial liabilities - €550 million

“Other current financial liabilities” mainly regard interest expense accrued on debt outstanding at end-year.

Millions of euro

	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Change
Deferred financial liabilities	31.2.1	501	584	(83)
Other items	31.2.1	49	59	(10)
Total		550	643	(93)

More specifically, “deferred financial liabilities” consist of interest expense accrued on financial debt, while “other items” essentially include amounts due are to Group companies that accrued as of December 31, 2016 but are to

be settled in the following year, comprising both financial expense on hedge derivatives on commodity exchange rates and interest expense on intercompany current accounts.

29. Net financial position and long-term financial receivables and securities - €13,839 million

The following table shows the net financial position and long-term financial receivables and securities on the basis of the items on the balance sheet.

Millions of euro

	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Change
Long-term borrowings	23	13,664	14,503	(839)
Short-term borrowings	23	6,184	4,914	1,270
Current portion of long-term borrowings	23	973	3,062	(2,089)
Non-current financial assets included in debt	15.1	32	77	(45)
Current financial assets included in debt	19.1	3,912	3,052	860
Cash and cash equivalents	21	3,038	5,925	(2,887)
Total		13,839	13,425	414

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at Decem-

ber 31, 2016, reconciled with net financial debt as reported in the report on operations.

31. Financial instruments

31.1 Financial assets by category

The following table shows the carrying amount for each category of financial assets provided by IAS 39, broken down into current and non-current financial assets, showing sepa-

rately hedging derivatives and derivatives measured at fair value through profit or loss.

Millions of euro		Non-current		Current	
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Loans and receivables	31.1.1	53	107	7,514	9,611
Financial assets available for sale	31.1.2	1	1	-	-
Financial assets at fair value through profit or loss					
Derivative financial assets at FVTPL	33	1,691	1,668	480	299
Total		1,691	1,668	480	299
Derivative financial assets designated as hedging instruments					
Cash flow hedge derivatives	33	751	888	-	-
Fair value hedge derivatives	33	27	35	-	-
Total		778	923	-	-
TOTAL		2,523	2,699	7,994	9,910

For more details on the recognition and classification of current and non-current derivative financial assets, please see note 33 "Derivatives and hedge accounting".

31.1.1 Loans and receivables

The following table shows loans and receivables by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current		Current	
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Cash and cash equivalents		-	-	3,038	5,925
Trade receivables		-	-	255	283
Financial receivables due from Group companies					
Receivables for assumption of share of financial debt	15.1	27	72	-	-
Receivables on intercompany current accounts		-	-	2,849	2,912
Current portion of receivables for assumption of loans	19.1	-	-	45	46
Other financial receivables		-	-	154	173
Total		27	72	3,048	3,131
Financial receivables due from others					
Current portion of long-term financial receivables		-	-	1	-
Cash collateral for margin agreements on OTC derivatives		-	-	1,012	86
Other financial receivables		26	35	160	186
Total		26	35	1,173	272
TOTAL		53	107	7,514	9,611

The primary changes compared with 2015 related to:

> a decrease in "cash and cash equivalents" of €2,887 million, essentially attributable to the redemption and repurchase of a number of bonds and to the normal central

treasury functions performed by Enel SpA;

> a decrease in "financial receivables due from Group companies" totaling €128 million, largely reflecting the decrease in receivables on the intercompany current ac-

count held with Group companies (€63 million) and in the amount of the receivable for assuming financial debt as a result of the repayment of principal (€45 million);

> an increase of "financial receivables due from others"

totaling €892 million, mainly as a result of an increase in cash collateral paid to counterparties for OTC derivatives transactions on interest rates and exchange rates (€926 million).

31.1.2 Financial assets available for sale

Financial assets available for sale amounted to €1 million and are represented by the equity investment held by Enel SpA in Emittenti Titoli SpA. The investment is classified as

an "equity investment in other entities" and is carried at cost. The value is unchanged with respect to 2015.

31.2 Financial liabilities by category

The following table shows the carrying amount for each category of financial liabilities provided by IAS 39, broken down into current and non-current financial liabilities, showing se-

parately hedging derivatives and derivatives measured at fair value through profit or loss.

Millions of euro		Non-current		Current	
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Financial liabilities measured at amortized cost					
	31.2.1	13,664	14,503	7,857	8,783
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities at FVTPL	33	1,703	1,687	556	367
Total		1,703	1,687	556	367
Derivative financial liabilities designated as hedging instruments					
Cash flow hedge derivatives	33	1,379	1,030	-	-
Total		1,379	1,030	-	-
TOTAL		16,746	17,220	8,413	9,150

For more details on the recognition and classification of current and non-current derivative financial liabilities, please see note 33 "Derivatives and hedge accounting".

For more details about fair value measurement, please see note 34 "Fair value measurement".

31.2.1 Financial liabilities measured at amortized cost

The following table shows financial liabilities at amortized cost by nature, broken down into current and non-current financial liabilities.

Millions of euro		Non-current		Current	
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Notes	at Dec. 31, 2016
Long-term borrowings	23	13,664	14,503		973
Short-term borrowings		-	-	23	6,184
Trade payables		-	-	27	150
Other current financial liabilities		-	-	28	550
Total		13,664	14,503		7,857

Borrowings

Long-term borrowings (including the portion falling due within 12 months) - €14,637 million

Long-term borrowings, which refer to bonds, bank borrowings and loans from Group companies, denominated in euros and other currencies, including the portion falling due within 12 months (equal to €973 million), amounted to €14,637 million at December 31, 2016.

The following table shows the nominal values, carrying amounts and fair values of long-term borrowings at December 31, 2016, including the portion falling due within 12

months, grouped by type of borrowing and type of interest rate. For listed debt instruments, the fair value is given by official prices. For unlisted debt instruments, the fair value is determined using valuation techniques appropriate for each category of financial instrument and the associated market data at the reporting date, including the credit spreads of the Group.

Millions of euro	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Carrying amount
at Dec. 31, 2016						at Dec. 31, 2015					Change
Bonds:											
- fixed rate	11,584	11,502	908	10,594	13,117	14,693	14,586	1,999	12,587	17,001	(3,084)
- floating rate	1,888	1,885	65	1,820	1,858	2,986	2,979	1,063	1,916	2,931	(1,094)
Total	13,472	13,387	973	12,414	14,975	17,679	17,565	3,062	14,503	19,932	(4,178)
Bank borrowings:											
- fixed rate	-	-	-	-	-	-	-	-	-	-	-
- floating rate	50	50	-	50	50	-	-	-	-	-	50
Total	50	50	-	50	50	-	-	-	-	-	50
Loans from Group companies:											
- fixed rate	1,200	1,200	-	1,200	1,575	-	-	-	-	-	1,200
- floating rate	-	-	-	-	-	-	-	-	-	-	-
Total	1,200	1,200	-	1,200	1,575	-	-	-	-	-	1,200
Total fixed-rate borrowings	12,784	12,702	908	11,794	14,692	14,693	14,586	1,999	12,587	17,001	(1,884)
Total floating-rate borrowings	1,938	1,935	65	1,870	1,908	2,986	2,979	1,063	1,916	2,931	(1,044)
TOTAL	14,722	14,637	973	13,664	16,600	17,679	17,565	3,062	14,503	19,932	(2,928)

The balance for bonds is reported net of €842 million in respect of the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", which Enel SpA holds in its portfolio.

For more details about the maturity analysis of borrowings,

please see note 32 "Risk management", while for more details about fair value measurement inputs, please see note 34 "Fair value measurement".

The table below shows long-term borrowings by currency and interest rate.

Long-term borrowings by currency and interest rate

Millions of euro	Carrying amount		Nominal value	Current average nominal interest rate	Current effective interest rate
	at Dec. 31, 2015	at Dec. 31, 2016		at Dec. 31, 2016	
Euro	13,691	11,113	11,153	4.9%	5.2%
US dollar	1,130	1,168	1,186	8.8%	9.2%
Pound sterling	2,744	2,356	2,383	6.5%	6.7%
Total non-euro currencies	3,874	3,524	3,569		
TOTAL	17,565	14,637	14,722		

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

Millions of euro	Nominal value	Repayments	New borrowing	Other	Own bonds repurchased	Exchange differences	Nominal value
	at Dec. 31, 2015						at Dec. 31, 2016
Bonds	17,679	(3,064)	-	-	(784)	(359)	13,472
Bank borrowings	-	-	50	-	-	-	50
Loans from Group companies	-	-	-	1,200	-	-	1,200
Total	17,679	(3,064)	50	1,200	(784)	(359)	14,722

Compared with December 31, 2015, the nominal value of long-term debt decreased by €2,957 million, reflecting:

- > the redemption of bonds in the year totaling €3,064 million. More specifically, redemptions regarded €3,000 million in respect of two bonds, of which a fixed-rate €2,000 million note and a floating rate €1,000 million note, issued in 2010 as part of a pan-European offer of bonds for retail investors that matured on February 26, 2016, as well as €64 million in respect of four tranches of INA and ANIA bonds;
- > the repurchase of own bonds in the amount of €784 million. More specifically, the repurchase involved:
 - €750 million in respect of a non-binding voluntary offer initiated on January 14, 2016 and closed on January 20, 2016 concerning the cash repurchase of bonds issued by Enel with a view to optimizing the Company's liability structure through the active management of maturi-

ties and the cost of funds;

- €34 million in respect of unlisted floating-rate bonds of the "Special series of bonds reserved for employees 1994-2019";
- > the recognition of exchange gains of €359 million;
- > new bank borrowings of €50 million;
- > the assignment of €1,200 million, as part of the partial, non-proportional demerger of Enel Green Power SpA to Enel SpA, of a liability represented by a long-term fixed-rate loan falling due on July 31, 2023, initially in respect of the subsidiary Enel Green Power International BV and then, after the demerger from Enel Green Power International BV, of assets and liabilities to Enel Finance International NV, in respect of the latter.

The table below reports the characteristics of the bank borrowing obtained in 2016.

New borrowings

Type of loan	Counterparty	Issue date	Amount financed (millions of euro)	Currency	Interest rate (%)	Type of interest rate	Due date
Bank borrowings	UniCredit SpA	20/07/2016	50	Euro	0.1%	Floating rate	15/07/2020
Total			50				

In 2016, a loan was obtained from UniCredit SpA in the maximum amount of €500 million, to be drawn in three tranches up to March 15, 2017, with a final due date of July 15, 2020 and drawn at December 31, 2016 in the amount of €50 million.

The main long-term borrowings of Enel SpA are governed by covenants that are commonly adopted in international business practice. These borrowings are represented by the bond issues carried out within the framework of the Global Medium-Term Notes program, issues of subordinated unconvertible hybrid bonds, the €9.4 billion Forward Start Facility Agreement agreed on February 8, 2013 by Enel SpA and Enel Finance International NV with a pool of banks and the loans granted by UniCredit SpA.

The main covenants in respect of the bond issues in the Global Medium-Term Notes program of Enel SpA and Enel Finance International NV can be summarized as follows:

- > negative pledge clauses under which the issuer and the guarantor may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets or revenue, to secure certain financial borrowings, unless the same restrictions are extended equally or pro rata to the bonds in question;
- > pari passu clauses, under which bonds and the associated guarantees constitute a direct, unconditional and unsecured obligation of the issuer and the guarantor, do not grant preferential rights among them and have at least the same seniority as other present and future unsubordinated and unsecured bonds of the issuer and the guarantor;
- > cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer, the guarantor or significant subsidiaries constitutes a default in respect of the liabilities in question, which may become immediately repayable.

The main covenants covering the hybrid bonds can be summarized as follows:

- > subordination clauses: each hybrid bond is subordinate to all other bonds of the issuer and has the same seniority as other hybrid financial instruments issued and greater seniority than equity instruments;
- > prohibition on mergers with other companies, the sale or leasing of all or a substantial part of the company's assets to another company, unless the latter succeeds in all obligations of the issuer.

The main covenants for the Forward Start Facility Agree-

ment and the loan agreements between Enel SpA and UniCredit SpA are substantially similar and can be summarized as follows:

- > negative pledge clauses, under which the borrower and, in some cases, significant subsidiaries may not establish mortgages, liens or other encumbrances on all or part of their respective assets to secure certain financial liabilities, with the exception of expressly permitted encumbrances;
- > disposals clauses, under which the borrower and, in some cases, the subsidiaries of Enel may not dispose of their assets or a significant portion of their assets or operations, with the exception of expressly permitted disposals;
- > pari passu clauses, under which the payment undertakings of the borrower have the same seniority as its other unsecured and unsubordinated payment obligations;
- > change of control clauses, which are 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;
- > cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the borrower or significant subsidiaries constitutes a default in respect of the liabilities in question, which may become immediately repayable.

In addition, following the partial, non-proportional demerger of Enel Green Power SpA ("EGP") to Enel SpA, as from the final moment of March 31, 2016, certain balance-sheet items and legal relationships of EGP were assigned to Enel SpA. The legal relationships included guarantees issued by EGP on behalf of Enel Green Power International BV and its subsidiaries in respect of commitments assumed in loan transactions. Those guarantees and the associated loan contracts include certain covenants and "events of default", some borne by Enel SpA as the guarantor, typical of international business practice.

All the financial borrowings considered specify "events of default" typical of international business practice, such as,

for example, insolvency, bankruptcy proceedings or if the entity ceases trading.

None of the covenants indicated above has been triggered to date.

Debt structure after hedging

The following table shows the effect of the hedges of foreign currency risk on the gross long-term debt structure (including portions maturing in the next 12 months).

Millions of euro			at Dec. 31, 2016			at Dec. 31, 2015				
	Initial debt structure			Impact of hedging instruments	Debt structure after hedging	Initial debt structure			Impact of hedging instruments	Debt structure after hedging
	Carrying amount	Notional amount	%			Carrying amount	Notional amount	%		
Euro	11,113	11,153	75.8%	3,569	14,722	13,691	13,751	77.8%	3,928	17,679
US dollar	1,168	1,186	8.0%	(1,186)	-	1,130	1,148	6.5%	(1,148)	-
Pound sterling	2,356	2,383	16.2%	(2,383)	-	2,744	2,780	15.7%	(2,780)	-
Total	14,637	14,722	100.0%	-	14,722	17,565	17,679	100.0%	-	17,679

The following table shows the effect of the hedges of interest rate risk on the gross long-term debt outstanding at the reporting date.

Outstanding gross debt		at Dec. 31, 2016		at Dec. 31, 2015	
		Before hedging	After hedging	Before hedging	After hedging
Floating rate		13.2%	17.7%	16.9%	20.6%
Fixed rate		86.8%	82.3%	83.1%	79.4%
Total		100.0%	100.0%	100.0%	100.0%

Short-term borrowings - €6,184 million

The following table shows short-term borrowings at December 31, 2016, by nature.

Millions of euro		at Dec. 31, 2016	at Dec. 31, 2015	Change
Borrowings from non-Group counterparties				
Bank borrowings		808	-	808
Short-term bank borrowings (ordinary current account)		1	2	(1)
Cash collateral for CSAs on OTC derivatives received		1,107	1,669	(562)
Total		1,916	1,671	245
Borrowings from Group counterparties				
Short-term borrowings from Group companies (on intercompany current accounts)		4,268	3,243	1,025
Other short-term borrowings from Group companies		-	-	-
Total		4,268	3,243	1,025
TOTAL		6,184	4,914	1,270

Short-term borrowings amounted to €6,184 million, up €1,270 million over the previous year (€4,914 million in 2015), mainly due to:

> the €808 million increase in liabilities to banks for short-

term loans received;

> the €562 million decrease in cash collateral received from counterparties for transactions in OTC derivatives on interest rates and exchange rates;

> the €1,025 million increase in “short-term borrowings from Group companies” attributable to the deterioration in the debtor position on the intercompany current account held with subsidiaries.

It should be specified that the fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

31.2.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, broken down into non-current (€1,703 million) and current (€556

million) financial liabilities, refer solely to derivative financial liabilities.

31.2.3 Net gains and losses

The following table shows net gains and losses by category of financial instruments, excluding derivatives.

Millions of euro	Net gains/(losses)		of which: impairment/reversal of impairment
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016
Available-for-sale financial assets	6	1	-
Loans and receivables	-	5	1
Financial liabilities measured at amortized cost	(510)	(1,229)	-

For more details on net gains and losses on derivatives, please see note 7 “Net financial income/(expense) from derivatives”.

32. Risk management

32.1 Financial risk management objectives and policies

As part of its operations, the Company is exposed to a variety of financial risks, notably market risks (including interest rate risk and exchange risk), credit risk and liquidity risk.

Enel's governance arrangements for financial risk envisage:

- > specific internal committees, formed of members of the Group's top management and chaired by the CEO, which are responsible for strategic policy-making and oversight of risk management;
- > the establishment of specific policies set at both the Group level and at the level of individual Regions/Countries/global business lines, which define the roles and responsibilities for those involved in managing, monitoring and controlling risks, ensuring the organizational separation of units involved in managing the Group's business and those responsible for managing risk;

es/global business lines, which define the roles and responsibilities for those involved in managing, monitoring and controlling risks, ensuring the organizational separation of units involved in managing the Group's business and those responsible for managing risk;

- > the specification of operational limits at both the Group level and at the level of individual Regions/Countries/global business lines for the various types of risk. These limits are monitored periodically by the risk management units.

32.2 Market risks

Market risk is the risk that the value of financial and non-financial assets or liabilities and the associated expected cash flows could change owing to changes in market prices. 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.

Interest rate risk and exchange risk are primarily generated by the presence of financial instruments.

The main financial liabilities held by the Company include bonds, bank borrowings (including revolving credit facilities and loans from EU bodies), other borrowings, derivatives, cash collateral for derivatives transactions and trade payables. The main purpose of those financial instruments is to finance the operations of the Company.

The main financial assets held by the Company include financial receivables, derivatives, cash collateral for derivatives transactions, cash and short-term deposits and trade receivables.

For more details, please see note 31 “Financial instruments”. The source of exposure to interest rate risk and exchange risk did not change with respect to the previous year.

As the Parent Company, Enel SpA centralizes some treasury management functions and access to financial markets with regard to financial derivatives contracts on interest rates and exchange rates. As part of this activity, Enel SpA 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.

During 2016, no overshoots of the threshold values set by regulators for the activation of clearing obligations (EMIR - European Market Infrastructure Regulation 648/2012 of the European Parliament) were detected.

The volume of transactions in financial derivatives outstanding at December 31, 2016 is reported below, with specification of the 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 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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk for the Company manifests itself as a change in the flows associated with interest payments on floating-rate financial liabilities, a change in financial terms and conditions in negotiating new debt instruments or as an adverse change in the value of financial assets/liabilities measured at fair value, which are typically fixed-rate debt instruments.

Interest rate risk is managed with the dual goals of reducing the amount of debt exposed to interest rate fluctuations and containing the cost of funds, limiting the volatility of results. This goal is pursued through the strategic diversification of the portfolio of financial liabilities by contract type, maturity and interest rate, and modifying the risk profile of specific exposures using OTC derivatives, mainly interest rate swaps.

The notional amount of outstanding contracts is reported below.

Millions of euro	Notional amount	
	at Dec. 31, 2016	at Dec. 31, 2015
Interest rate derivatives		
Interest rate swaps	22,377	21,163
Total	22,377	21,163

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 €22,377 million (€21,163 million at December 31, 2015), of which €1,329 million (unchanged on December 31, 2015) in respect of hedges of the Company’s

share of debt, and €10,524 million (€9,917 million at December 31, 2015) in respect of hedges of the debt of Group companies with the market intermediated in the same notional amount with those companies.

For more details on interest rate derivatives, please see note 33 “Derivatives and hedge accounting”.

The amount of 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, 2016, 13.2% of gross long-term financial debt was floating rate (16.9% at December 31, 2015). Ta-

king account of hedges of interest rates considered effective pursuant to IAS 39, 82.3% of gross long-term financial debt was hedged at December 31, 2016 (79.4% at Decem-

ber 31, 2015). Including derivatives treated as hedges for management purposes but ineligible for hedge accounting, the ratio is essentially unchanged.

Interest rate risk sensitivity analysis

The Company analyses the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact of market scenarios on equity, for the cash flow hedge component, and on profit or loss, for the fair value hedge component, for derivatives that are not eligible for hedge accounting and for the portion of gross long-term

debt not hedged using derivative financial instruments.

These scenarios are represented by parallel increases and decreases in the yield curve as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the Company's profit before tax would be affected as follows.

Millions of euro

		at Dec. 31, 2016				at Dec. 31, 2015			
		Pre-tax impact on profit or loss		Pre-tax impact on equity		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Basis points	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term floating-rate debt after hedging	25	7	(7)	-	-	9	(9)	-	-
Change in fair value of derivatives classified as non-hedging instruments	25	7	(7)	-	-	7	(7)	-	-
Change in fair value of derivatives designated as hedging instruments									
Cash flow hedges	25	-	-	13	(13)	-	-	13	(13)
Fair value hedges	25	(5)	5	-	-	(7)	7	-	-

Exchange risk

Exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

For Enel SpA, the main source of exchange risk is the presence of monetary financial instruments denominated in a currency other than the euro, mainly bonds denominated in foreign currency.

The exposure to exchange risk did not change with respect to the previous year.

For more details, please see note 31 "Financial instruments".

In order to minimize exposure to changes in exchange rates, the Company normally uses a variety of OTC derivatives such as currency forwards and cross currency interest rate swaps. The term of such contracts does not exceed the maturity of the underlying exposure.

Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two amounts (deliverable forwards) or payment of the difference between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards). In the latter case, the strike rate and/or the spot rate may be determined as averages of the official fixings of the European Central Bank.

Cross currency interest rate swaps are used to transform a long-term fixed- or floating-rate liability in foreign currency into an equivalent floating- or fixed-rate liability in euros. In addition to having notionals denominated in different currencies, these instruments differ from interest rate swaps in that they provide 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, 2016 and December 31, 2015, broken down by type of hedged item.

Millions of euro	Notional amount	
	at Dec. 31, 2016	at Dec. 31, 2015
Foreign exchange derivatives		
Currency forwards:	5,399	11,388
- hedging exchange risk on commodities	4,507	7,239
- hedging future cash flows	196	4,138
- other currency forwards	696	11
Cross currency interest rate swaps	22,668	23,730
Total	28,067	35,118

More specifically, these include:

- > currency forward contracts with a total notional amount of €4,507 million (€7,239 million at December 31, 2015), of which €2,253 million to hedge the exchange risk associated with purchases of energy commodities by Group companies, with matching transactions with the market;
- > currency forward contracts with a notional amount of €196 million (€4,138 million at December 31, 2015), to hedge the exchange risk associated with other expected cash flows in currencies other than the euro, of which €98 million in market transactions;
- > currency forward contracts with a notional amount of €696 million (€11 million at December 31, 2015), to hedge the exchange rate risk on investment spending, of which €348 million in market transactions;
- > cross currency interest rate swaps with a notional amount of €22,668 million (€23,730 million at December 31, 2015), to hedge the exchange risk on the debt of Enel SpA or other Group companies denominated in currencies other than the euro.

For more details, please see note 33 “Derivatives and hedge accounting”.

An analysis of the Group’s debt shows that 24.2% of gross

medium and long-term debt (22.2% at December 31, 2015) is denominated in currencies other than the euro.

Considering exchange rate hedges and the portion of debt in foreign currency that is denominated in the currency of account or the functional currency of the company, the debt is fully hedged using cross currency interest rate swaps.

Exchange risk sensitivity analysis

The Company analyses the sensitivity of its exposure by estimating the effects of a change in exchange rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact of market scenarios on equity, for the cash flow hedge component, and on profit or loss, for the fair value hedge component, for derivatives that are not eligible for hedge accounting and for the portion of gross long-term debt not hedged using derivative financial instruments.

These scenarios are represented by the appreciation/depreciation of the euro against all of the foreign currencies compared with the value observed as at the reporting date. There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the profit before tax would be affected as follows.

Millions of euro

	at Dec. 31, 2016					at Dec. 31, 2015			
	Pre-tax impact on profit or loss		Pre-tax impact on equity			Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Exchange rate	Appreciation of euro	Depreciation of euro	Appreciation of euro	Depreciation of euro	Appreciation of euro	Depreciation of euro	Appreciation of euro	Depreciation of euro
Change in fair value of derivatives designated as hedging instruments									
Cash flow hedges	10%	-	-	(462)	564	-	-	(507)	620
Fair value hedges	10%	-	-	-	-	-	-	-	-

32.3 Credit risk

Credit risk is represented by the possibility that a change in the creditworthiness of a counterparty in a financial transaction could impact the creditor position, in terms of insolvency (default risk) or changes in its market value (spread risk) such as to give rise to a loss. The Company is exposed to credit risk from its financial activities, including transactions in derivatives, deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The sources of exposure to credit risk did not change with respect to the previous year.

The Company's management of credit risk is based on the selection of counterparties from among leading Italian and international financial institutions with high credit standing considered solvent both by the market and on the basis of internal assessments, diversifying the exposure among them. Credit exposures and associated credit risk are regularly monitored by the departments responsible for monito-

ring risks under the policies and procedures outlined in the governance rules for managing the Group's risks, which are also designed to ensure prompt identification of possible mitigation actions to be taken.

Within this general framework, 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, 2016, the exposure to credit risk, represented by the carrying amount of financial assets net of related provisions for impairment as well as derivatives with a positive fair value, net of any cash collateral held, amounted to €9,388 million (€10,909 million at December 31, 2015). Of the total, €4,277 million regard receivables in respect of Group companies and €3,038 million regard cash and cash equivalents.

Millions of euro

at Dec. 31, 2016		at Dec. 31, 2015		Change	
	of which Group		of which Group		
Non-current financial receivables	27	27	72	72	(45)
Other non-current financial assets	5	-	5	-	-
Trade receivables	255	229	283	276	(28)
Current financial receivables	2,894	2,894	2,958	2,958	(64)
Other current financial assets	1,327	154	445	173	882
Financial derivatives	1,842	973	1,221	343	621
Cash and cash equivalents	3,038	-	5,925	-	(2,887)
Total	9,388	4,277	10,909	3,822	(1,521)

32.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial lia-

bilities that are settled by delivering cash or another financial asset.

The objectives of liquidity risk management policies are:

- > ensuring an appropriate level of liquidity for the Group, minimizing the associated opportunity cost;
- > maintaining a balanced debt structure in terms of the maturity profile and funding sources.

In the short term, liquidity risk is mitigated by maintaining an appropriate level of unconditionally available resources, including cash and short-term deposits, available committed credit lines and a portfolio of highly liquid assets.

In the long term, liquidity risk is mitigated by maintaining a balanced debt maturity profile and diversifying funding sources in terms of instruments, markets/currencies and counterparties.

At December 31, 2016 Enel SpA had a total of about €3,038 million in cash and cash equivalents (€5,925 million at December 31, 2015), and committed lines of credit amounting to €6,170 million (of which none had been drawn) maturing in more than one year (€5,720 million at December 31, 2015).

Maturity analysis

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Millions of euro	Maturing in				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bonds:					
- fixed rate	-	908	3,073	3,922	3,599
- floating rate	-	65	563	385	872
Total	-	973	3,636	4,307	4,471
Bank borrowings:					
- fixed rate	-	-	-	-	-
- floating rate	-	-	-	50	-
Total	-	-	-	50	-
Loans from Group companies:					
- fixed rate	-	-	-	-	1,200
- floating rate	-	-	-	-	-
Total	-	-	-	-	1,200
TOTAL	-	973	3,636	4,357	5,671

32.5 Offsetting financial assets and financial liabilities

The following table reports the net financial assets and liabilities. More specifically, it shows that there are no netting arrangements for derivatives in the financial statements since the Company does not plan to set-off assets and liabilities. As envisaged by current market regulations and to

guarantee transactions involving derivatives, Enel SpA has entered into margin agreements with leading financial institutions that call for the exchange of cash collateral, broken down as shown in the table.

Millions of euro

at Dec. 31, 2016

	(a)	(b)	(c)=(a)-(b)		(d)	(e)=(c)-(d)
				Related amounts not set off in the balance sheet		
				(d)(i), (d)(ii)	(d)(iii)	
	Gross amounts of recognized financial assets/ (liabilities)	Gross amounts of recognized financial assets/ (liabilities) set off in the balance sheet	Net amounts of financial assets/ (liabilities) presented in the balance sheet	Financial instruments	Net portion of financial assets/ (liabilities) guaranteed with cash collateral	Net amount of financial assets/ (liabilities)
FINANCIAL ASSETS						
Derivative financial assets:						
- on interest rate risk	554	-	554	-	(59)	495
- on exchange risk	2,395	-	2,395	-	(1,834)	561
Total derivative financial assets	2,949	-	2,949	-	(1,893)	1,056
TOTAL FINANCIAL ASSETS	2,949	-	2,949	-	(1,893)	1,056
FINANCIAL LIABILITIES						
Derivative financial liabilities:						
- on interest rate risk	(757)	-	(757)	-	597	(160)
- on exchange risk	(2,881)	-	(2,881)	-	1,201	(1,680)
Total derivative financial liabilities	(3,638)	-	(3,638)	-	1,798	(1,840)
TOTAL FINANCIAL LIABILITIES	(3,638)	-	(3,638)	-	1,798	(1,840)
TOTAL NET FINANCIAL ASSETS/(LIABILITIES)	(689)	-	(689)	-	(95)	(784)

33. Derivatives and hedge accounting

The following tables report the notional amount and fair value of derivative financial assets and liabilities by type of hedge relationship and hedged risk, broken down into current and non-current derivative financial assets and liabilities.

The notional amount of a derivative contract is the amount on the basis of which cash flows are exchanged. This amount

can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted at the end-year exchange rates provided by the European Central Bank.

Millions of euro	Non-current					Current				
	Notional amount		Fair value		Change	Notional amount		Fair value		Change
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015		at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	
Derivatives designated as hedging instruments										
Cash flow hedges:										
- on exchange risk	2,517	3,928	751	888	(137)	-	-	-	-	-
Total cash flow hedges	2,517	3,928	751	888	(137)	-	-	-	-	-
Fair value hedges:										
- on interest rate risk	800	800	27	35	(8)	-	-	-	-	-
Total fair value hedges	800	800	27	35	(8)	-	-	-	-	-
Derivatives at FVTPL:										
- on interest rate risk	10,497	9,822	527	413	114	27	96	1	2	(1)
- on exchange risk	7,860	9,474	1,164	1,255	(91)	3,718	5,342	479	297	182
Total derivatives at FVTPL	18,357	19,296	1,691	1,668	23	3,745	5,438	480	299	181
TOTAL DERIVATIVE FINANCIAL ASSETS	21,674	24,024	2,469	2,591	(122)	3,745	5,438	480	299	181

Millions of euro	Non-current					Current				
	Notional amount		Fair value			Notional amount		Fair value		
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	Change	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	Change
Derivatives designated as hedging instruments										
Cash flow hedges:										
- on interest rate risk	390	390	154	143	11	-	-	-	-	-
- on exchange risk	2,394	1,556	1,225	887	338	-	-	-	-	-
Total cash flow hedges	2,784	1,946	1,379	1,030	349	-	-	-	-	-
Derivatives at FVTPL:										
- on interest rate risk	10,535	9,860	530	419	111	127	195	74	67	7
- on exchange risk	7,860	9,475	1,173	1,268	(95)	3,718	5,343	482	300	182
Total derivatives at FVTPL	18,395	19,335	1,703	1,687	16	3,845	5,538	556	367	189
TOTAL DERIVATIVE FINANCIAL LIABILITIES	21,179	21,281	3,082	2,717	365	3,845	5,538	556	367	189

33.1 Hedge accounting

Derivatives are initially recognized at fair value, on the trade date of the contract and are subsequently re-measured at their fair value.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature of the item being hedged.

Hedge accounting is applied to derivatives entered into in order to reduce risks such as interest rate risk, exchange risk, commodity risk, credit risk and equity risk when all the criteria provided for under IAS 39 are met.

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Company also analyzes, both at hedge inception and on an ongoing systematic basis, the effectiveness of hedges using prospective and retrospective tests in order to determine whether hedging instruments are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Depending on the nature of the risks to which it is exposed, the Company designates derivatives as hedging instruments in one of the following hedge relationships:

- > cash flow hedge derivatives in respect of the risk of: i) changes in the cash flows associated with long-term floating-rate debt; ii) changes in the exchange rates associated with long-term debt denominated in a currency other than the currency of account or the functional currency in which the company holding the financial liability operates; iii) changes in the price of fuels and non-energy commodities denominated in a foreign currency;
- > fair value hedge derivatives involving the hedging of exposures to changes in the fair value of an asset, a liability or a firm commitment attributable to a specific risk;
- > derivatives hedging a net investment in a foreign operation (NIFO), involving the hedging of exposures to exchange rate volatility associated with investments in foreign entities.

For more details on the nature and the extent of risks arising from financial instruments to which the Company is exposed, please see note 32 "Risk management".

Cash flow hedges

Cash flow hedges are used in order to hedge the Company's exposure to changes in future cash flows that are attributable to a particular risk associated with an asset,

a liability or a highly probable transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting but the hedged item has not expired or been cancelled, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

The Company currently uses these hedge relationships to minimize the volatility of profit or loss.

Fair value hedges

Fair value hedges are used to protect the Company against exposures to adverse changes in the fair value of assets, liabilities or firm commitments attributable to a particular risk that could affect profit or loss.

Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedge is ineffective or no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

The Company currently makes use of such hedge relationships to seize opportunities associated with general developments in the yield curve.

Hedge of a net investment in a foreign operation (NIFO)

Hedges of net investments in foreign operations, with a functional currency other than the euro, are hedges of the impact of changes in exchange rates in respect of investments in foreign entities. The hedge instrument is a liability denominated in the same currency as the investment. The foreign exchange differences of the hedged item and the hedge are accumulated each year in equity until the disposal of the in-

vestment, at which time the foreign exchange differences are transferred to profit or loss.

The Company does not currently hold any hedges of net investments in a foreign operation.

For more information on the fair value measurement of derivatives, please see note 34 "Fair value measurement".

Hedge relationships by type of risk hedged

33.1.1 Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk of

transactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
Hedging instrument	Hedged item	at Dec. 31, 2016		at Dec. 31, 2015	
Interest rate swaps	Floating-rate borrowings	(154)	390	(143)	390
Interest rate swaps	Fixed-rate borrowings	27	800	35	800
Total		(127)	1,190	(108)	1,190

The interest rate swaps outstanding at the end of the year and designated as hedging instruments function as a cash flow hedge and fair value hedge for the hedged item. More specifically, fair value hedge derivatives relate to the issue of an unconvertible hybrid bond denominated in euros in 2013, hedged in the amount of €800 million, while the cash

flow hedge derivatives refer to the hedging of certain floating-rate bonds issued since 2001.

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at December 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro		Notional amount		Fair value assets		Notional amount		Fair value liabilities	
		at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Cash flow hedge derivatives:		-	-	-	-	390	390	(154)	(143)
- interest rate swaps		-	-	-	-	390	390	(154)	(143)
Fair value hedge derivatives:		800	800	27	35	-	-	-	-
- interest rate swaps		800	800	27	35	-	-	-	-
Total interest rate derivatives		800	800	27	35	390	390	(154)	(143)

The notional amount of the interest rate swaps at December 31, 2016 came to €1,190 million (€1,190 million at December 31, 2015) with a corresponding negative fair value of €127 million (negative €108 million at December 31, 2015).

The deterioration in the fair value of derivatives compared with the previous year is mainly attributable to the general decline in the yield curve over the course of 2016.

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives.

Millions of euro	Fair value	Distribution of expected cash flows					
Cash flow hedge derivatives on interest rates	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
Positive fair value	-	-	-	-	-	-	-
Negative fair value	(154)	(15)	(14)	(14)	(14)	(13)	(97)

The following table shows the impact of cash flow hedge derivatives on interest rate risk on equity during the period, gross of tax effects.

Millions of euro	2016	2015
Opening balance at January 1	(87)	(93)
Changes in fair value recognized in equity (OCI)	-	-
Changes in fair value recognized in profit or loss - recycling	(23)	6
Changes in fair value recognized in profit or loss - ineffective portion	-	-
Closing balance at December 31	(110)	(87)

Fair value hedge derivatives

The following table shows the cash flows expected in coming years from fair value hedge derivatives.

Millions of euro	Fair value	Distribution of expected cash flows					
Fair value hedge derivatives	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
Positive fair value	27	14	14	32	-	-	-
Negative fair value	-	-	-	-	-	-	-

33.1.2 Exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on exchange risk of tran-

sactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
Hedging instrument	Hedged item	at Dec. 31, 2016		at Dec. 31, 2015	
Cross currency interest rate swaps (CCIRSs)	Fixed-rate borrowings	(474)	4,911	1	5,484
Total		(474)	4,911	1	5,484

The cross currency interest rate swaps outstanding at the end of the year and designated as hedging instruments function as a cash flow hedge for the hedged item. More specifically, these derivatives hedge fixed-rate bonds denominated in foreign currencies.

The following table shows the notional amount and the fair value of derivatives on exchange risk as at December 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Cash flow hedge derivatives:	2,517	3,928	751	888	2,394	1,556	(1,225)	(887)
- forwards	-	-	-	-	-	-	-	-
- options	-	-	-	-	-	-	-	-
- cross currency interest rate swaps	2,517	3,928	751	888	2,394	1,556	(1,225)	(887)
Total foreign exchange derivatives	2,517	3,928	751	888	2,394	1,556	(1,225)	(887)

The notional amount of the cross currency interest rate swaps at December 31, 2016 came to €4,911 million (€5,484 million at December 31, 2015), with a corresponding negative fair value of €474 million (positive €1 million at December 31, 2015).

In 2016 no hedges of exchange risk expired and no new hedges were established. Accordingly, the change in the value of the notional amount and the associated fair value

of derivatives mainly reflects the appreciation of the euro against the pound sterling and the depreciation of the euro against the US dollar.

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on exchange risk.

Millions of euro	Fair value	Distribution of expected cash flows					
Cash flow hedge derivatives on exchange rates	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
Positive fair value	751	99	98	100	62	61	685
Negative fair value	(1,225)	(71)	(70)	(222)	(36)	(55)	(683)

The following table shows the impact of cash flow hedge derivatives on exchange risk on equity during the period, gross of tax effects.

Millions of euro	2016	2015
Opening balance at January 1	(208)	(310)
Changes in fair value recognized in equity (OCI)	-	-
Changes in fair value recognized in profit or loss - recycling	(118)	102
Changes in fair value recognized in profit or loss - ineffective portion	-	-
Closing balance at December 31	(326)	(208)

33.2 Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 2016 and December 31, 2015.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Derivatives at FVTPL on interest rates:	10,524	9,918	527	415	10,663	10,055	(604)	(486)
- interest rate swaps	10,524	9,918	527	415	10,663	10,055	(604)	(486)
Derivatives at FVTPL on exchange rates:	11,577	14,817	1,644	1,552	11,577	14,817	(1,656)	(1,568)
- forwards	2,699	5,694	158	308	2,699	5,694	(158)	(311)
- cross currency interest rate swaps	8,878	9,123	1,486	1,244	8,878	9,123	(1,498)	(1,257)
Total derivatives at FVTPL	22,101	24,735	2,171	1,967	22,240	24,872	(2,260)	(2,054)

At December 31, 2016, the notional amount of derivatives at fair value through profit or loss on interest rates and foreign exchange rates came to €44,341 million (€49,607 million at

December 31, 2015) corresponding to a negative fair value of €88 million (negative €87 million at December 31, 2015). The decrease compared with the previous year in the notio-

nal amount of derivatives at fair value through profit or loss reflects €6,480 million from a decline in forex operations, slightly offset by an increase of €1,214 million in the notional amount of interest rate swaps.

Interest rate swaps at the end of the year refer primarily to hedges of the debt of the Group companies with the market and intermediated in the same notional amount with those companies in the amount of €10,524 million.

The overall increase in the notional amount of interest rate swaps (€1,214 million) compared with the previous year is attributable to new transactions closed as part of the pre-hedge strategy for future bond issues in 2019-2020 designed to set the cost of future funding in advance. Compared with December 31, 2015, the overall change in the fair value (a negative €6 million) is largely connected with the general decline in the yield curve over the course of the year.

Forward contracts, with a notional amount of €2,699 million (€5,694 million at December 31, 2015), relate mainly to OTC derivatives entered into to mitigate the exchange risk associated with the prices of energy commodities within

the provisioning process of Group companies and matched with market transactions. They also hedge the expected cash flows in currencies other than the currency of account connected with the acquisition of non-energy commodities and investment goods in the sectors of renewable energy and infrastructure and networks (new generation digital meters).

The change in the notional amount and the fair value as compared with the previous year is associated with normal operations.

Cross currency interest rate swaps, with a notional amount of €8,878 million (€9,123 million at December 31, 2016), relate to hedges of exchange risk on the debt of the Group companies denominated in currencies other than the euro and matched with market transactions.

The change in the notional amount and the fair value of the cross currency interest rate swaps is mainly due to developments in the exchange rate of the euro with other major currencies.

34. Fair value measurement

The Company measures fair value in accordance with IFRS 13 whenever required by international accounting standards.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. The best estimate is the market price, i.e. its current price, publicly available and effectively traded on an active, liquid market.

The fair value of assets and liabilities is categorized into a fair value hierarchy that provides three levels defined as follows on the basis of the inputs to valuation techniques used to measure fair value:

- > Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Company has access at the measurement date;
- > Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- > Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

In this note, the relevant disclosures are provided in order to assess the following:

- > for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheet af-

ter initial recognition, the valuation techniques and inputs used to develop those measurements; and

- > for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

For this purpose:

- > recurring fair value measurements are those that IFRSs require or permit in the balance sheet at the end of each reporting period;
- > non-recurring fair value measurements are those that IFRSs require or permit in the balance sheet in particular circumstances.

The fair value of derivative contracts is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on a regulated market 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 and translating amounts in currencies other than the euro using exchange rates provided by the European Central Bank. For contracts invol-

ving commodities, the measurement is conducted using prices, where available, for the same instruments on both regulated and unregulated markets.

In accordance with the new international accounting standards, in 2013 the Group included a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk.

More specifically, the Group measures CVA/DVA using a Potential Future Exposure valuation technique for the net exposure of the position and subsequently allocating the adjustment to the individual financial instruments that make up the overall portfolio. All of the inputs used in this technique are observable on the market. Changes in the assumptions underlying the estimated inputs could have an effect on the fair value reported for such instruments.

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 euros by multiplying the notional amount by the agreed price).

Amounts denominated in currencies other than the euro are converted into euros at the exchange rate provided by the European Central Bank.

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

For listed debt instruments, the fair value is given by official prices. For unlisted instruments the fair value is determined using appropriate valuation techniques for each category of financial instrument and market data at the closing date of the year, including the credit spreads of Enel SpA.

34.1 Assets measured at fair value in the balance sheet

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the balance sheet, the fair value measurement at the end of the

reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro		Non-current assets				Current assets			
	Notes	Fair value at Dec. 31, 2016	Level 1	Level 2	Level 3	Fair value at Dec. 31, 2016	Level 1	Level 2	Level 3
Derivatives									
Cash flow hedge derivatives:									
- on exchange risk	33	751	-	751	-	-	-	-	-
Total		751	-	751	-	-	-	-	-
Fair value hedge derivatives:									
- on interest rate risk	33	27	-	27	-	-	-	-	-
Total		27	-	27	-	-	-	-	-
Fair value through profit or loss:									
- on interest rate risk	33	527	-	527	-	1	-	1	-
- on exchange risk	33	1,164	-	1,164	-	479	-	479	-
- on commodity risk		-	-	-	-	-	-	-	-
Total		1,691	-	1,691	-	480	-	480	-
TOTAL		2,469	-	2,469	-	480	-	480	-

34.2 Liabilities measured at fair value in the balance sheet

The following table reports, for each class of liabilities measured at fair value on a recurring or non-recurring basis in the balance sheet, the fair value measurement at the

end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro

		Non-current liabilities				Current liabilities			
	Notes	Fair value at Dec. 31, 2016	Level 1	Level 2	Level 3	Fair value at Dec. 31, 2016	Level 1	Level 2	Level 3
Derivatives									
Cash flow hedge derivatives:									
- on interest rate risk	33	154	-	154	-	-	-	-	-
- on exchange risk	33	1,225	-	1,225	-	-	-	-	-
Total		1,379	-	1,379	-	-	-	-	-
Fair value through profit or loss:									
- on interest rate risk	33	530	-	530	-	74	-	74	-
- on exchange risk	33	1,173	-	1,173	-	482	-	482	-
Total		1,703	-	1,703	-	556	-	556	-
TOTAL		3,082	-	3,082	-	556	-	556	-

34.3 Liabilities not measured at fair value in the balance sheet

The following table shows, for each class of liabilities not measured at fair value in the balance sheet but for which the fair value shall be disclosed, the fair value at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro

		Liabilities			
	Notes	Fair value at Dec. 31, 2016	Level 1	Level 2	Level 3
Bonds:					
- fixed rate	31.2.1	13,117	13,117	-	-
- floating rate	31.2.1	1,858	587	1,271	-
Total		14,975	13,704	1,271	-
Bank borrowings:					
- fixed rate		-	-	-	-
- floating rate	31.2.1	50	-	50	-
Total		50	-	50	-
Loans from Group companies:					
- fixed rate	31.2.1	1,575	-	1,575	-
- floating rate		-	-	-	-
Total		1,575	-	1,575	-
TOTAL		16,600	13,704	2,896	-

35. 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, which are discussed in greater detail in the Report on Corporate Governance and Ownership Structure available on the Company's website (www.enel.com), 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 <https://www.enel.com/en/investors/a201608-transactions-with-related-parties.html>) 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 2016, 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 17221 of March 12, 2010, as amended with Resolution 17389 of June 23, 2010.

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

Commercial and other relationships

2016

Millions of euro			Costs		Revenue	
	Receivables	Payables	Goods	Services	Goods	Services
	at Dec. 31, 2016	at Dec. 31, 2016	2016		2016	
Subsidiaries						
Central Geradora Termelétrica Fortaleza SA	1	-	-	-	-	1
Enel Generación Perú SAA	5	-	-	-	-	3
Enel Distribución Perú SAA	6	-	-	-	-	3
Enel Generación Piura SA	1	-	-	-	-	
Enel Brasil SA	13	-	-	-	-	7
Endesa Distribución Eléctrica SL	36	1	-	-	-	18
Endesa Generación SA	20	1	-	1	-	17
Enel Latinoamérica SA	-	1	-	1	-	-
Endesa SA	-	2	-	1	-	1
e-distributie Banat SA	3	-	-	-	-	2
e-distributie Dobrogea SA	2	-	-	-	-	1
e-distributie Muntenia SA	6	-	-	-	-	3
e-distribuzione SpA	132	263	-	-	-	53
Enel Energia SpA	120	37	-	-	-	16
Enel Iberoamérica SL	2	10	-	10	-	1
Enel Green Power SpA	16	15	-	-	-	20
Enel Green Power North America Inc.	1	1	-	-	-	-
Enel Ingegneria e Ricerca SpA	-	12	-	-	-	-
Enel Russia PJSC	17	3	-	1	-	5
Enel Produzione SpA	67	186	-	-	-	24
Enel Romania Srl	5	-	-	-	-	1
Enel Italia Srl	61	55	-	64	-	10
Enel Servizio Elettrico SpA	51	20	-	-	-	4
Enel Sole Srl	4	5	-	-	-	1
Enel Trade SpA	57	2	-	-	-	3
Enel.Factor SpA	1	2	-	-	-	-
Enel.si Srl	-	1	-	-	-	-
Endesa Energía SA	5	-	-	-	-	1
Enel Américas SA	4	-	-	-	-	1
Gas y Electricidad Generación SAU	3	-	-	-	-	2
RusEnergoSbyt LLC	1	-	-	-	-	-
Slovenské elektrárne AS	17	-	-	-	-	1
Unión Eléctrica de Canarias Generación SAU	5	-	-	-	-	4
3Sun Srl	-	28	-	-	-	-
Total	662	645	-	78	-	204
Other related parties						
GSE	1	-	-	-	-	-
Fondazione Centro Studi Enel	-	-	-	-	-	1
Total	1	-	-	-	-	1
TOTAL	663	645	-	78	-	205

Millions of euro	Receivables	Payables	Costs		Revenue	
			Goods	Services	Goods	Services
			at Dec. 31, 2015	at Dec. 31, 2015	2015	2015
Subsidiaries						
Central Geradora Termelétrica Fortaleza SA	1	-	-	-	-	1
Edegel SA	2	-	-	-	-	2
Empresa de Distribución Eléctrica de Lima Norte SAA	3	-	-	-	-	2
Enel Brasil SA	15	-	-	-	-	15
Endesa Distribución Eléctrica SL	19	1	-	1	-	8
Endesa Generación SA	3	-	-	-	-	5
Enel Latinoamérica SA	-	-	-	1	-	-
Endesa SA	-	1	-	3	-	-
Enel Distributie Banat SA	1	-	-	-	-	1
Enel Distributie Dobrogea SA	1	-	-	-	-	1
Enel Distributie Muntenia SA	3	-	-	-	-	2
Enel Distribuzione SpA	361	167	-	-	-	45
Enel Energia SpA	102	26	-	-	-	7
Enel Iberoamérica SL	1	8	-	9	-	1
Enel France Sas	2	1	-	-	-	-
Enel Green Power SpA	17	115	-	-	-	16
Enel Green Power North America Inc.	1	1	-	-	-	-
Enel Ingegneria e Ricerca SpA	2	6	-	-	-	1
Enel Russia PJSC	18	4	-	-	-	7
Enel Produzione SpA	132	153	-	-	-	23
Enel Romania Srl	4	-	-	-	-	1
Enel Italia Srl	84	64	-	58	-	80
Enel Servizio Elettrico SpA	57	13	-	-	-	4
Enel Sole Srl	2	3	-	1	-	1
Enel Trade SpA	5	85	-	-	-	4
Enel.Factor SpA	-	2	-	-	-	-
Enel Insurance NV	1	-	-	-	-	-
Enel.si Srl	1	2	-	-	-	-
Enelpower SpA	-	3	-	-	-	-
Endesa Energía SA	4	-	-	-	-	4
Enersis SA	3	-	-	-	-	2
Gas y Electricidad Generación SAU	1	-	-	-	-	2
Nuove Energie Srl	-	1	-	-	-	-
Slovenské elektrárne AS	16	-	-	-	-	7
Unión Eléctrica de Canarias Generación SAU	1	-	-	-	-	1
Total	863	656	-	73	-	243
Other related parties						
GSE	1	-	-	-	-	-
Fondazione Centro Studi Enel	-	-	-	-	-	1
Total	1	-	-	-	-	1
TOTAL	864	656	-	73	-	244

Financial relationships

2016

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenue	Dividends
at Dec. 31, 2016				2016		
Subsidiaries						
Concert Srl	-	2	-	-	-	-
e-distribuzione SpA	1,668	13	3,725	13	84	1,610
Enel Energia SpA	6	791	1,733	-	6	358
Enel Iberoamérica SL	1	1	54	-	1	550
Enel Finance International NV	733	3,207	23,131	178	1,068	-
Enel Green Power Chile Ltda	3	3	-	-	-	-
Enel Green Power International BV	-	-	-	96	18	-
Enel Green Power North America Inc.	-	-	53	-	-	-
Enel Green Power SpA	578	18	10,596	3	33	50
Enel Green Power Perú SA	5	-	-	-	6	-
Enel Ingegneria e Ricerca SpA	19	-	30	-	-	-
Enel Investment Holding BV	-	2	2	-	-	-
Enel M@p Srl	1	-	1	-	-	-
Enel Produzione SpA	463	30	2,412	19	29	304
Enel Italia Srl	83	-	94	-	6	-
Enel Servizio Elettrico SpA	334	-	1,701	-	7	-
Enel Sole Srl	1	70	231	-	1	-
Enel Trade Romania Srl	-	-	7	-	-	-
Enel Trade SpA	28	1,369	1,579	208	124	-
Enel Trade d.o.o.	-	-	1	-	-	-
Enel.Factor SpA	91	-	-	2	3	3
Enel.Newhydro Srl	-	16	1	-	-	-
Enel.si Srl	13	-	7	-	-	-
Enelpower SpA	-	37	1	-	-	-
Nuove Energie Srl	20	-	86	-	-	-
OpEn Fiber SpA	-	-	123	-	-	-
Enel Oil & Gas SpA	-	2	-	-	-	-
3Sun Srl	-	-	-	2	-	-
Total	4,047	5,561	45,568	521	1,386	2,875
Other related parties						
CESI SpA	-	-	-	-	-	1
Total	-	-	-	-	-	1
TOTAL	4,047	5,561	45,568	521	1,386	2,876

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenue	Dividends
at Dec. 31, 2015			2015			
Subsidiaries						
Enel Distribuzione SpA	165	890	3,719	2	48	1,245
Enel Energia SpA	9	395	1,087	-	10	159
Enel Iberoamérica SL	1	-	-	-	1	500
Enel Finance International NV	1,459	2,432	21,846	1,533	48	-
Enel Green Power Chile Ltda	-	-	-	1	2	-
Enel Green Power International BV	107	-	-	-	13	-
Enel Green Power México S de RL de Cv	-	3	-	-	2	-
Enel Green Power North America Inc.	-	-	51	1	2	-
Enel Green Power SpA	331	7	1,804	67	132	109
Enel Ingegneria e Ricerca SpA	1	3	33	1	2	-
Enel Investment Holding BV	1	87	376	-	1	-
Enel Longanesi Developments Srl	28	-	2	-	-	-
Enel M@p Srl	1	-	1	-	-	-
Enel Produzione SpA	119	648	2,415	145	36	-
Enel Italia Srl	101	84	73	-	6	9
Enel Servizio Elettrico SpA	1,017	-	1,798	-	8	-
Enel Sole Srl	17	-	110	-	1	-
Enel Trade Romania Srl	-	-	8	-	-	-
Enel Trade SpA	47	364	1,560	497	347	-
Enel.Factor SpA	123	2	-	2	2	-
Enel.Newhydro Srl	-	15	1	-	-	-
Enel.si Srl	4	-	36	-	-	-
Enelpower SpA	-	36	1	-	-	-
Marcinelle Energie SA	-	-	8	-	-	-
Nuove Energie Srl	13	-	86	-	-	-
Enel Oil & Gas SpA	-	2	-	-	-	-
Total	3,544	4,968	35,015	2,249	661	2,022
Other related parties						
Emittenti Titoli SpA	-	-	-	-	-	1
CESI SpA	-	-	-	-	-	1
Total	-	-	-	-	-	2
TOTAL	3,544	4,968	35,015	2,249	661	2,024

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

Impact on balance sheet

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
	at Dec. 31, 2016			at Dec. 31, 2015		
Assets						
Derivatives - non-current	2,469	953	38.6%	2,591	317	12.2%
Other non-current financial assets	53	27	50.9%	107	71	66.4%
Other non-current assets	188	154	81.9%	409	164	40.1%
Trade receivables	255	248	97.3%	283	278	98.2%
Derivatives - current	480	19	4.0%	299	26	8.7%
Other current financial assets	4,221	3,048	72.2%	3,403	3,130	92.0%
Other current assets	299	261	87.3%	460	422	91.7%
Liabilities						
Long-term borrowings	13,664	1,200	8.8%	14,503	-	-
Derivatives - non-current	3,082	747	24.2%	2,717	1,365	50.2%
Other non-current liabilities	36	33	91.7%	243	243	100.0%
Short-term borrowings	6,184	4,268	69.0%	4,914	3,243	66.0%
Trade payables	150	68	45.3%	164	59	36.0%
Derivatives - current	556	464	83.5%	367	276	75.2%
Other current financial liabilities	550	82	14.9%	643	84	13.1%
Other current liabilities	1,694	544	32.1%	1,046	354	33.8%

Impact on income statement

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
	2016			2015		
Revenue	207	205	99.0%	245	244	99.6%
Services and other operating expenses	335	78	23.3%	399	73	18.3%
Income from equity investments	2,882	2,876	99.8%	2,024	2,024	100.0%
Financial income on derivatives	2,787	1,239	44.5%	3,358	500	14.9%
Other financial income	556	147	26.4%	177	161	91.0%
Financial expense on derivatives	3,127	467	14.9%	3,024	2,248	74.3%
Other financial expense	979	54	5.5%	1,243	1	0.1%

Impact on cash flows

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
	2016			2015		
Cash flows from operating activities	2,511	(1,173)	-46.7%	1,062	1,092	102.8%
Cash flows from investing/disinvesting activities	(409)	(409)	100.0%	(560)	(559)	99.8%
Cash flows from financing activities	(4,989)	1,455	-29.2%	(1,549)	29	-1.9%

36. Contractual commitments and guarantees

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Sureties and guarantees given:			
- third parties	347	376	(29)
- subsidiaries	45,568	35,015	10,553
Total	45,915	35,391	10,524

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 essentially regard the sale of real estate assets (€346 million). The guarantee is meant to ensure the performance of contractual obligations, specifically payments due and the commitment to renew at least 50% of the long-term lease agreements for six years.

Other sureties and guarantees issued on behalf of subsidiaries include:

- > €21,003 million issued on behalf of Enel Finance International securing bonds denominated in US dollars, pounds, euros and yen as part of the €35 billion Global Medium-Term Notes program;
- > €9,397 million issued on behalf of various companies controlled by Enel Green Power, mainly acquired in Group reorganization operations;
- > €2,810 million issued to the European Investment Bank (EIB) for loans granted to e-distribuzione, Enel Produzione, Enel Green Power and Enel Sole;
- > €1,997 issued to the tax authorities in respect of participation in the Group VAT procedure on behalf of Enel.NewHydro, Enel Trade, Enel Produzione, Enelpower, Enel Servizio Elettrico, Nuove Energie, Enel Ingegneria e Ricerca, Enel M@p, Enel.si, Enel Green Power, Enel Sole and Energy Hydro Piave;
- > €2,127 million issued on behalf of Enel Finance International to secure the Euro commercial paper program;
- > €1,407 million in favor of Cassa Depositi e Prestiti issued on behalf of e-distribuzione, which received the Enel Grid Efficiency II loan;
- > €1,150 million issued by Enel SpA to the Acquirente Unico (Single Buyer) on behalf of Enel Servizio Elettrico for obli-

gations under the electricity purchase contract;

- > €669 million issued to INPS on behalf of various Group companies whose employees elected to participate in the structural staff reduction plan (Article 4 of Law 92/2012);
- > €524 million issued to Terna on behalf of e-distribuzione, Enel Trade, Enel Produzione, Enel Green Power and Enel Energia in respect of agreements for electricity transmission services;
- > €347 million issued to Snam Rete Gas on behalf of Enel Trade for gas transport capacity;
- > €330 million as counter-guarantees in favor of the banks that guaranteed the Energy Markets Operator (GME) on behalf of Enel Trade and Enel Produzione;
- > €80 million issued to RWE Supply & Trading GmbH on behalf of Enel Trade for electricity purchases;
- > €50 million issued to E.ON on behalf of Enel Trade for trading on the electricity market;
- > €32 million issued to Wingas GmbH & CO.KG on behalf of Enel Trade for the supply of gas;
- > €3,645 million issued to various beneficiaries as part of financial support activities by the Parent Company on behalf of subsidiaries.

Compared with December 31, 2015, the increase in other sureties and guarantees issued on behalf of subsidiaries mainly reflects the effects of the corporate finance transactions involving the Enel Green Power Group, which included the transfer to Enel SpA of a number of guarantees issued by Enel Green Power SpA on behalf of its subsidiaries.

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.

37. Contingent liabilities and assets

Please see note 49 to the consolidated financial statements for information on contingent liabilities and asset.

38. Events after the reporting date

Please see note 50 to the consolidated financial statements for information on events after the reporting date.

39. Fees of audit firm pursuant to Article 149-*duodecies* of the CONSOB “Issuers Regulation”

Fees paid in 2016 by Enel SpA and its subsidiaries to the audit 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	of which:	
	- EY SpA	0.4
	- entities of Ernst & Young Global Limited network	-
Certification services	of which:	
	- EY SpA	0.5
	- entities of Ernst & Young Global Limited network	-
Other services	of which:	
	- EY SpA	-
	- entities of Ernst & Young Global Limited network	-
Total		0.9
Enel SpA subsidiaries		
Auditing	of which:	
	- EY SpA	2.1
	- entities of Ernst & Young Global Limited network	14.1
Certification services	of which:	
	- EY SpA	1.3
	- entities of Ernst & Young Global Limited network	1.8
Other services	of which:	
	- EY SpA	-
	- entities of Ernst & Young Global Limited network	0.7
Total		20.0
TOTAL		20.9

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, 2016, pursuant to the provisions of Article 154-*bis*, paragraph 5, of Legislative Decree 58 of February 24, 1998 and Article 81-*ter* of CONSOB Regulation 11971 of May 14, 1999

1. The undersigned Francesco Starace and Alberto De Paoli, 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, 2016 and December 31, 2016.
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 for financial reporting. 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 for financial reporting did not identify any material issues.
3. In addition, we certify that the separate financial statements of Enel SpA at December 31, 2016:
 - a. have been prepared in compliance with the international accounting standards recognized in the European Union pursuant to Regulation 2002/1606/EC 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, included in the Annual Report 2016 and accompanied by the financial statements of Enel SpA at December 31, 2016, 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 16, 2017

Francesco Starace

Chief Executive Officer of Enel SpA



Alberto De Paoli

Officer responsible for the preparation
of the financial reports of Enel SpA





05_Reports



Report of the Board of Auditors to the Shareholders' Meeting of Enel SpA

Report of the Board of Auditors to the Shareholders' Meeting of Enel SpA (pursuant to Article 153 of Legislative Decree 58/1998)

Shareholders,

During the year ended December 31, 2016 we performed the oversight activities envisaged by law at Enel SpA (hereinafter also "Enel" or the "Company"). In particular, pursuant to the provisions of Article 149, paragraph 1, of Legislative Decree 58 of February 24, 1998 (hereinafter the "Consolidated Law on Financial Intermediation") and Article 19, paragraph 1 of Legislative Decree 39 of January 27, 2010 (hereinafter "Decree 39/2010," in the version in force for 2016) we monitored:

- > compliance with the law and the corporate bylaws as well as compliance with the principles of sound administration in the performance of the Company's business;
- > the Company's financial reporting process and the adequacy of the administrative and accounting system, as well as the reliability of the latter in representing operational events;
- > the statutory audit of the annual statutory and consolidated accounts and the independence of the audit firm;
- > the adequacy and effectiveness of the internal control 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 its subsidiaries to enable Enel to meet statutory public disclosure requirements.

In performing our checks and assessments of the above issues, we did not find any particular issues to report.

In compliance with the instructions issued by CONSOB with Communication DEM/1025564 of April 6, 2001, as amended, we report the following:

- > we monitored compliance with the law and the bylaws and we have no issues to report;
- > on a quarterly basis, we received adequate information from the Chief Executive Officer, as well as through our participation in the meetings of the Board of Directors of Enel, 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 financial statements of the Company for 2016 and the consolidated financial statements of the Enel Group for 2016 (in the section "Significant events in 2016");
- > 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 2016 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 2016. All transactions with related parties reported in the notes to the separate 2016 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 2016 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 2002/1606/EC and in force at the close of 2016, as well as the provisions of Legislative De-

cree 38 of February 28, 2005 and its related implementing measures, as it did the previous year. The Company's separate financial statements for 2016 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, as indicated in the accounting policies for the individual items of the consolidated financial statements. The notes to the Company's separate financial statements also refer readers to the consolidated financial statements for information on the accounting standards and measurement criteria adopted, with the exception of equity investments in subsidiaries, associates and joint ventures, which are carried in the Company's separate financial statements at purchase costs adjusted for any impairment losses. The notes to the Company's separate financial statements also refer readers to the consolidated financial statements for information on recently issued accounting standards. The separate financial statements for 2016 of the Company were audited by the independent auditors EY 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 2016 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 2002/1606/EC and in force at the close of 2016, as well as the provisions of Legislative Decree 38 of February 28, 2005 and its related implementing measures, as it did the previous year. The 2016 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 (as indicated in the discussion of measurement criteria for the individual items) and non-current assets (or disposal groups) classified as held for sale, which are measured at the lower of carrying amount and fair value less costs to sell. 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) new standards applied in 2016, which according to the notes did not have a material impact in the year under review; and (ii) standards that will apply in the future. The consolidated financial statements for 2016 of the Enel Group were audited by the independent auditors EY 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, EY SpA also issued unqualified opinions on the financial statements for 2016 of the most significant Italian companies of the Enel Group. Moreover, during periodic meetings with the representatives of the audit firm, EY SpA, the latter did not raise any issues concerning the reporting packages of the main foreign companies of the Enel Group, selected by the auditors on the basis of the work plan established for the auditing of the consolidated financial statements of the Enel Group, that would have a sufficiently material impact to be reported in the opinion on those financial statements;

- > taking due account of the recommendations of the European Securities and Markets Authority issued on January 21, 2013, and most recently confirmed with the Public Statement of October 27, 2015, 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, and in light of the indications of CONSOB in its Communication 7780 of January 28, 2016, 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 & Risk Committee in March 2017, i.e. prior to the date of approval of the financial statements for 2016;
- > we examined the Board of Directors' proposal for the allocation of net income for 2016 and the distribution of available reserves and have no comments in this regard;
- > we note that the Board of Directors of the Company certified, following appropriate checks by the Control & Risk Committee in March 2017, that as at the date on which the 2016 financial statements were approved, the Enel Group continued to meet the conditions established by CONSOB (set out in Article 36 of the Market Regulation, approved with Resolution 16191 of October 29, 2007 as amended) 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 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 function heads and in meetings with the boards of auditors or equivalent bodies of a number of the main Enel Group companies in Italy and abroad, for the purpose of the reciprocal exchange of material information. As from the second half of 2014, the organizational structure of the Enel Group is based on a matrix of Divisions and geographical areas. Taking account of the changes implemented in 2016, it is organized into: (i) *Divisions*, which are responsible for managing and developing assets, optimizing their performance and the return on capital employed in the various geographical areas in which the Group operates. The Divisions comprise: Global Infrastructure and Networks, Global Renewable Energy, Global Thermal Generation, Global Trading and Upstream Gas; (ii) *Areas and Countries*, which are responsible for managing relationships with local institutional bodies, regulatory authorities and the media, as well as the development of the customer base with regard to the sale of electricity and gas, in each of the countries in which the Group is present, while also providing staff and other service support to the Divisions. Areas and Countries comprise: Italy, Iberia, Europe and North Africa, Latin America, North and Central America, and Sub-Saharan Africa and Asia; (iii) *Global service functions*, which are responsible for managing information and communication technology activities and procurement at the Group level; and (iv) *Holding company functions*, which are responsible for managing governance processes at the Group level. They include: Administration, Finance and Control, Human Resources and Organization, Communication, Legal and Corporate Affairs, Audit, European Affairs, and Innovation and Sustainability. 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 meetings 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 audit firm EY 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 1(d), of Decree 39/2010 – the nature and the scale of non-audit services provided to the Company and other Enel Group companies by EY SpA and the entities belonging to its network, the fees for which are reported in the notes to the financial statements of the Company. Following our examinations, the Board of Auditors feels that there are no critical issues concerning the independence of the audit firm EY SpA. We held periodic meetings with the representatives of the audit firm, pursuant to Article 150, paragraph 3, of the Consolidated Law on Financial Intermediation, and no material issues emerged that would require mention in this report.

As regards the provisions of Article 19, paragraph 3, of Decree 39/2010, EY SpA provided the Board of Auditors with the report for 2016 “on key issues emerging during the statutory audit”, which did not find any significant shortcomings in the internal control system concerning financial reporting. The audit firm also informed the Board of Auditors that management, as part of the transformation under way in a number of information system, responded promptly to the identification of a number of shortcomings in an information system in use within the Enel Group with the launch of a special action plan designed to identify additional alternative controls and to rectify those shortcomings by the end of the year. Checks by the audit firm verified the effectiveness of those additional alternative controls and the elimination of the shortcomings mentioned above by the end of the year. With further regard to the IT system, the audit firm also reported to the Board of Auditors that it provided suggestions concerning a number of issues that, after being agreed with the competent units of the Company, enabled improvements to be implemented.

The audit firm also reported that it did not prepare any management letter for 2016;

- > 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 the head'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 EY SpA. The Chief Executive Officer and the officer responsible for the preparation of the financial reports of Enel issued a statement (regarding the Company's 2016 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 2002/1606/EC; (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 for financial reporting (supported by the findings of the independent testing performed by a qualified external advisor and the Company's Audit function, with each focusing on their respective areas of responsibility on the basis of the different nature of the various checks) 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 2016 of the Enel Group;

- > 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 and holding most of the meetings jointly with the Control & Risk Committee as well as with the participation of the Chairman of the Board of Auditors in the other meetings of the Control & Risk Committee and the subsequent examination of the associated documentation during those meetings. In light of our examination and in the absence of significant issues, the internal control and risk management system can be considered adequate and effective. In February 2017, the Board of Directors of the Company expressed an analogous assessment of the situation and also noted, in November 2016, that the main risks associated with the strategic targets set out in the 2017-2022 Business Plan were compatible with the management of the Company in a manner consistent with those targets;
- > the Board of Auditors received no complaints or reports of censurable facts pursuant to Article 2408 of the Italian Civil Code;
- > we monitored the effective implementation of the Corporate Governance Code, which the Company has adopted, verifying the compliance of Enel's governance arrangements with the recommendations of the Code. Detailed information on the Company's corporate governance system can be found in the Report on Corporate Governance and Ownership Structure for 2016. In February 2016 and March 2017, 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 2016. As regards the "self-assessment" of the independence of its members, the Board of Auditors, in February and June 2016, and most recently in March 2017, verified compliance with the requirements set out in both the Consolidated Law on Financial Intermediation and the Corporate Governance Code;
- > since the listing of its shares, the Company has adopted specific rules (most recently amended in March 2017) 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 (which can be consulted at www.enel.com) contain appropriate provisions directed at subsidiaries to enable Enel to comply with statutory public disclosure requirements, pursuant to Article 114, paragraph 2, of the Consolidated Law on Financial Intermediation;
- > in 2002 the Company also adopted (and has subsequently updated) a Code of Ethics (also available at www.enel.com) 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 has adopted a compliance program consisting of a "general part" and various "special parts" concerning the different offences specified by Legislative Decree 231/2001 that the program is intended to prevent. For a description of the manner in which the model has been adapted to the characteristics of the various Italian companies of the Group, as well as a description of the purposes of the "Enel

Global Compliance Program” for the Group’s foreign companies, please see the Report on Corporate Governance and Ownership Structure for 2016. 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 2016 it was composed of two external members with expertise on corporate organization matters, one of whom acted as chairman of the body, and the head of the Audit function, the head of the Legal and Corporate Affairs function 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 2016 by the Supervisory Body. Our examination of those activities found no facts or situations that would require mention in this report;

- > in 2016, the Board of Auditors issued the following opinions:
 - a favorable opinion at the meeting of January 29, 2016 concerning the 2016 Audit Plan in accordance with the provisions of Article 7.C.1, letter c) of the Corporate Governance Code, preliminary to the resolutions pertaining to the Board of Directors in that regard;
 - a favorable opinion at the meeting of May 5, 2016 on the findings of EY SpA in its report on the major issues that arose in the statutory audit in 2015, in accordance with the provisions of Article 7.C.1, letter e) of the Corporate Governance Code, preliminary to the assessments pertaining to the Board of Directors in that regard;
 - a favorable opinion at the meeting of July 12, 2016, pursuant to Article 2389, paragraph 3, of the Italian Civil Code, concerning the supplementary instruments concerning the resolution on the remuneration and job conditions of the Chairman of the Board of Directors and the Chief Executive Officer/General Manager during the 2014-2016 term;
- > a report on the fixed and variable compensation accrued by those who served as Chairman of the Board of Directors, the Chief Executive Officer/General Manager and other directors in 2016 for their respective positions and any compensation instruments awarded to them will be contained in the Remuneration Report referred to in Article 123-ter of the Consolidated Law on Financial Intermediation, which was approved by the Board of Directors, acting on a proposal of the Nomination & Compensation Committee, on March 16, 2017 and published in compliance with the time limits established by law. 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 pursuing the creation of shareholder value over the medium and long term. The proposals to the Board of Directors concerning such forms of compensation and the determination of the associated parameters were prepared by the Nomination & Compensation Committee, which is made up entirely of independent directors, drawing on the findings of benchmarking analyses of the remuneration of executive directors and key management personnel in a study conducted by the consulting firm Mercer, entitled “2016 Mercer Executive Remuneration Guides - Western Europe”, which examined 609 European companies. In addition, in determining the compensation package of directors with specific responsibilities in the 2014-2016 term, the resolution of the Shareholders’ Meeting of May 22, 2014 was implemented. That resolution, in application of Article 84-ter of Decree Law 69 of June 21, 2013 (ratified with amendments with Law 98 of August 9, 2013), established that for the election of the Board of Directors by that Shareholders’ Meeting the remuneration of directors with specific responsibilities could not be set by the Board of Directors in an amount exceeding 75% of the total remuneration of any form, including under an employment relationships with the Company, established during the previous term. Finally, the Report on Remuneration referred to in Article 123-ter of the Consolidated Law on Financial Intermediation contains, in compliance with the applicable CONSOB regulations, specific disclosures on the remuneration earned in 2016 by key management personnel.

The Board of Auditors’ oversight activity in 2016 was carried out in 18 meetings (12 of which held jointly with the Control & Risk Committee) and with participation in the 13 meetings of the Board of Directors, and, through the chairman, in the 3 meetings of the Control & Risk Committee not held jointly with the Board of Auditors, in the 10 meetings of the Nomination & Compensation Committee, in the 5 meetings of the Related Parties Committee and in the 9 meetings of the Corporate Governance & Sustainability 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 EY SpA, no omissions, censurable facts, irre-

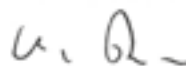
gularities or other significant developments were found that would require reporting to the regulatory authorities or mention in this report.

Based on the oversight activity performed and the information exchanged with the independent auditors EY SpA, we recommend that you approve the Company's financial statements for the year ended December 31, 2016 in conformity with the proposals of the Board of Directors.

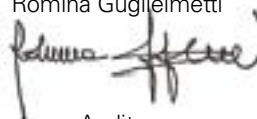
Rome, April 11, 2017

The Board of Auditors

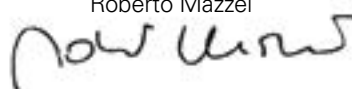
Chairman
Sergio Duca



Auditor
Romina Guglielmetti



Auditor
Roberto Mazzei



Report of the independent audit firm on the 2016 financial statements of Enel SpA

Enel S.p.A.

Financial statements as of December 31, 2016

Independent auditor's report in accordance with articles 14
and 16 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

Independent auditor's report
in accordance with articles 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.

Report on the financial statements

We have audited the accompanying financial statements of Enel S.p.A., which comprise the balance sheet as of December 31, 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and the notes to the separate financial statements.

Directors' responsibility for the financial statements

The Directors of Enel S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated February 28, 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Enel S.p.A. as of December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated February 28, 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on operations and of specific information of the Report on corporate governance and ownership structure with the financial statements

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion, as required by law, on the consistency of the Report on operations and of specific information of the Report on corporate governance and ownership structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated February 24, 1998, with the financial statements. The Directors of Enel S.p.A. are responsible for the preparation of the Report on operations and of the Report on corporate governance and ownership structure in accordance with the applicable laws and regulations. In our opinion the Report on operations and the specific information of the Report on corporate governance and ownership structure are consistent with the financial statements of Enel S.p.A. as of December 31, 2016.

Rome, April 11, 2017

EY 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.

Report of the independent audit firm on the 2016 consolidated financial statements of the Enel Group

Enel S.p.A.

Consolidated financial statements as of December 31, 2016

Independent auditor's report in accordance with articles 14
and 16 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

Independent auditor's report
in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Enel S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Enel Group, which comprise the balance sheet as of December 31, 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and the notes to the financial statements.

Directors' responsibility for the consolidated financial statements

The Directors of Enel S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated February 28, 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Enel Group as of December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated February 28, 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on operations and of specific information of the Report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion, as required by law, on the consistency of the Report on operations and of specific information of the Report on corporate governance and ownership structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements. The Directors of Enel S.p.A. are responsible for the preparation of the Report on operations and of the Report on corporate governance and ownership structure in accordance with the applicable laws and regulations. In our opinion the Report on operations and the specific information of the Report on corporate governance and ownership structure are consistent with the consolidated financial statements of Enel Group as of December 31, 2016.

Rome, April 11, 2017

EY 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.

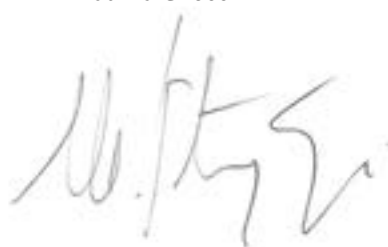
Notice of ordinary Shareholders' Meeting

An ordinary Shareholders' Meeting is convened, on single call, on May 4, 2017, at 2:00 pm, in Rome, at Centro Congressi Enel, Viale Regina Margherita, no. 125, in order to discuss and resolve on the following

AGENDA

1. Financial statements as of December 31, 2016. Reports of the Board of Directors, of the Board of Auditors and of the independent audit firm. Related resolutions. Presentation of the consolidated financial statements for the year ended on December 31, 2016.
2. Allocation of the annual net income and distribution of available reserves.
3. Authorization for the acquisition and the disposal of own shares. Related resolutions.
4. Determination of the number of the members of the Board of Directors.
5. Determination of the term of the Board of Directors.
6. Election of the members of the Board of Directors.
7. Election of the Chairman of the Board of Directors.
8. Determination of the compensation of the members of the Board of Directors.
9. Long-term-incentive plan 2017 reserved to the management of Enel SpA and/or of its subsidiaries pursuant to Article 2359 of the Italian Civil Code.
10. Remuneration Report.

The Chairman of the Board of Directors
Patrizia Grieco



Proposed allocation of the annual net income and distribution of available reserves

Dear shareholders,

We remind you that the dividend policy contained in the 2016-2019 Strategic Plan (presented to the financial community in November 2015) provides, with specific regard to the 2016 results, for the payment to shareholders of an amount equal to the value of whichever is higher: either €0.18 per share or 55% of the net ordinary income of the Enel Group for 2016.

The new dividend policy – contained in the 2017-2019 Strategic Plan presented to the financial community in November 2016 – confirms the above indicated dividend for the financial year 2016 and provides, starting with net income for 2016, to pay dividends to shareholders in two instalments, with payment of an interim dividend scheduled for January and payment of the balance of the dividend scheduled for July.

In light of the above, on November 10, 2016 the Board of Directors has approved, pursuant to Article 2433-*bis* of the Italian Civil Code and Article 26.3 of the corporate bylaws, the distribution of an interim dividend for the financial year 2016 of €0.09 per share (for a total amount of €915,001,195.14), that has been paid, gross of any withholding tax, from January 25, 2017.

Given the amount of the paid interim dividend and taking into account that the Group's ordinary net income for 2016 amounts to approximately €3,243 million (against the Group's net income of approximately €2,570 million), in accordance with the above mentioned dividend policy, the Board of Directors proposes to distribute a balance of the dividend amounting to €0.09 per share (for a total amount of €915,001,195.14), to be paid in July 2017. Therefore, the total dividend for the financial year 2016 amounts to €0.18 per share, for a total amount (approximately €1,830 million) slightly above the one (approximately €1,783.6 million) resulting from the application of the indicated pay-out ratio of 55% of the net ordinary income of the Enel Group.

Moreover, taking into account that Enel SpA's net income for 2016 amounts to approximately €1,719.9 million, in order to allow the distribution of the aforementioned balance of the dividend, it is envisaged that a part of the available reserve named "retained earnings" (amounting to approximately €4,534.3 million as of December 31, 2016) will be used in addition to Enel SpA's net income. In light of the foregoing and considering that the legal reserve is already equal to the maximum amount of one-fifth of the share capital (as provided for by Article 2430, paragraph 1, of the Italian Civil Code), we therefore submit for your approval the following

Agenda

The Shareholders' Meeting of Enel SpA, having examined the explanatory report of the Board of Directors,

resolves

1. to earmark Enel SpA's net income for the year 2016, amounting to €1,719,938,733.46, as follows:
 - > for distribution to the shareholders:
 - €0.09 for each of the 10,166,679,946 ordinary shares in circulation on the ex-dividend date, to cover the interim dividend payable from January 25, 2017, the ex-dividend date of coupon no. 25 having fallen on January 23, 2017 and the "record date" (i.e. the date of the title to the payment of the dividend, pursuant to Article 83-*terdecies* of the Legislative Decree 58 of February 24, 1998 and to Article 2.6.6, paragraph 2, of the Market Regulation organized and managed by Borsa Italiana SpA) on January 24, 2017, for an overall amount of €915,001,195.14;
 - €0.07 for each of the 10,166,679,946 ordinary shares in circulation on July 24, 2017 (i.e. on the scheduled ex-dividend date), as the balance of the dividend, for an overall amount of €711,667,596.22;
 - > for "retained earnings" the remaining part of the net income, for an overall amount of €93,269,942.10;
2. to earmark for the distribution to the shareholders, always as the balance of the dividend, also a part of the available reserve named "retained earnings" allocated in the financial statements of Enel SpA (amounting as of December 31, 2016 to €4,534,347,074.01), for an amount of €0.02 for each of the 10,166,679,946 ordinary shares in circulation on July

- 24, 2017 (i.e. on the scheduled ex-dividend date), for an overall amount of €203,333,598.92;
3. to pay, before withholding tax, if any, the overall balance of the dividend of €0.09 per ordinary share – of which €0.07 as distribution of part of the remaining 2016 net income and €0.02 as partial distribution of the available reserve named “retained earnings” – as from July 26, 2017, with the ex-dividend date of coupon no. 26 falling on July 24, 2017 and the “record date” (i.e. the date of the title to the payment of the dividend, pursuant to Article 83-*terdecies* of the Legislative Decree 58 of February 24, 1998 and to Article 2.6.6, paragraph 2, of the Market Regulation organized and managed by Borsa Italiana SpA) coinciding with July 25, 2017.



06_Attachments



Subsidiaries, associates and other significant equity investments of the Enel Group at December 31, 2016

In compliance with CONSOB Notice DEM/6064293 of July 28, 2006 and Article 126 of CONSOB Resolution 11971 of May 14, 1999, a list of subsidiaries and associates of Enel SpA at December 31, 2016, pursuant to Article 2359 of the Italian Civil Code, and of other significant equity investments is provided below. Enel has full title to all investments.

The following information is included for each company: name, registered office, share capital, currency in which share capital is denominated, activity, method of consolidation, Group companies that have a stake in the company and their respective ownership share, and the Group's ownership share.

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Parent Company									
Enel SpA	Rome	Italy	10,166,679,946.00	EUR	Holding company	Holding			100.00%
Subsidiaries									
(Cataldo) Hydro Power Associates	New York (New York)	USA	-	USD	Electricity generation from renewable resources	Equity	Pyrites Hydro LLC Hydro Development Group Acquisition LLC	50.00% 50.00%	50.00%
Società di sviluppo, realizzazione e gestione del gasdotto Algeria-Italia via Sardegna SpA (in breve "Galsi SpA")	Milan	Italy	37,419,179.00	EUR	Energy and infrastructure engineering	-	Enel Produzione SpA	17.65%	17.65%
3-101-665717 SA	San José	Costa Rica	10,000.00	CRC	Electricity generation from renewable resources	Line-by-line	PH Chucas SA	100.00%	62.48%
3Sun Srl	Catania	Italy	35,205,984.00	EUR	Development, design, construction and operation of solar panel manufacturing plants	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Adams Solar PV Project Two (RF) (Pty) Ltd	Johannesburg	South Africa	10,000,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	60.00%	60.00%
Adria Link Srl	Gorizia	Italy	500,000.00	EUR	Design, construction and operation of merchant lines	Equity	Enel Produzione SpA	33.33%	33.33%
Agassiz Beach LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Agatos Green Power Trino	Rome	Italy	10,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Solar Energy Srl	80.00%	80.00%
Agrupación Acefhat AIE	Barcelona	Spain	793,340.00	EUR	Design and services	-	Endesa Distribución Eléctrica SL	16.67%	11.69%
Aguilón 20 SA	Zaragoza	Spain	2,682,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	51.00%	35.75%
Albany Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Almeyda Solar SpA	Santiago	Chile	1,736,965,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Chile Ltda	100.00%	99.91%
Almussafes Servicios Energéticos SL	Valencia	Spain	3,010.00	EUR	Management and maintenance of power plants	Line-by-line	Enel Green Power España SL	100.00%	70.10%
Alpe Adria Energia SpA	Udine	Italy	450,000.00	EUR	Design, construction and operation of merchant lines	Equity	Enel Produzione SpA	40.50%	40.50%
Altomonte Fv Srl	Rome	Italy	5,100,000.00	EUR	Electricity generation from renewable resources	Equity	Enel F2i Solare Italia SpA	100.00%	50.00%
Alvorada Energia SA	Rio de Janeiro	Brazil	17,117,415.92	BRL	Electricity generation and sale	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Ampla Energia e Serviços SA	Rio de Janeiro	Brazil	129,823.00	BRL	Electricity generation, transmission and distribution	Line-by-line	Enel Brasil SA	46.89%	51.46%
							Chilectra Inversud SA	21.02%	
							Enel Américas SA	31.73%	
Annandale Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Apiacás Energia SA	Rio de Janeiro	Brazil	21,216,846.33	BRL	Electricity generation	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Aquenergy Systems LLC	Greenville (South Carolina)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Aquila Solar SL	Las Palmas de Gran Canaria	Spain	3,008.00	EUR	Photovoltaics	Equity	Endesa Ingeniería SLU	50.00%	35.05%
Aragonesa de Actividades Energéticas SA	Teruel	Spain	60,100.00	EUR	Electricity generation	Line-by-line	Endesa Red SA	100.00%	70.10%
Asociación Nuclear Ascó-Vandellós II AIE	Tarragona	Spain	19,232,400.00	EUR	Management and maintenance of power plants	Proportional	Endesa Generación SA	85.41%	59.87%
Astronomy & Energy SpA	Santiago	Chile	5,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power del Sur SpA (formerly Parque Eólico Renaico SpA)	100.00%	99.91%
Athonet Smartgrid Srl	Bolzano	Italy	14,285.71	EUR	Research, development and design	Equity	Enel Italia Srl	30.00%	30.00%
Atwater Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Aurora Distributed Solar LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Solar Holdings LLC	51.00%	51.00%
Aurora Land Holdings LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	100.00%	100.00%
Aurora Solar Holdings LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Autumn Hills LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Avikiran Solar India Private Limited	Haryana	India	100,000.00	INR	Electricity generation from renewable resources	Line-by-line	BLP Energy Private Limited	100.00%	68.00%
Aysén Energía SA	Santiago	Chile	4,900,100.00	CLP	Electricity	Equity	Centrales Hidroeléctricas de Aysén SA	99.00%	18.54%
							Enel Generación Chile SA	0.51%	
Aysén Transmisión SA	Santiago	Chile	22,368,000.00	CLP	Electricity generation and sale	Equity	Enel Generación Chile SA	0.51%	18.54%
							Centrales Hidroeléctricas de Aysén SA	99.00%	

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Barnet Hydro Company LLC	Burlington (Vermont)	USA	-	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc. Sweetwater Hydroelectric LLC	10.00% 90.00%	100.00%
Beaver Falls Water Power Company	Philadelphia (Pennsylvania)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Beaver Valley Holdings LLC	67.50%	67.50%
Beaver Valley Holdings LLC	Philadelphia (Pennsylvania)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Beaver Valley Power Company LLC	Philadelphia (Pennsylvania)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Bioenergy Casei Gerola Srl	Rome	Italy	100,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Black River Hydro Assoc	New York (New York)	USA	-	USD	Electricity generation from renewable resources	Equity	(Cataldo) Hydro Power Associates Enel Green Power North America Inc.	75.00% 25.00%	62.50%
BLP Energy Private Limited	New Delhi	India	30,000,000.00	INR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Development Srl	68.00%	68.00%
BLP Vayu (Project 1) Private Limited	Haryana	India	7,500,000.00	INR	Electricity generation from renewable resources	Line-by-line	BLP Energy Private Limited	100.00%	68.00%
BLP Vayu (Project 2) Private Limited	Haryana	India	45,000,000.00	INR	Electricity generation from renewable resources	Line-by-line	BLP Energy Private Limited	100.00%	68.00%
BLP Wind Project (Amberi) Private Limited	New Delhi	India	5,000,000.00	INR	Electricity generation from renewable resources	Line-by-line	BLP Energy Private Limited	100.00%	68.00%
Blue Energy Srl	Tulcea	Romania	1,000.00	RON	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA Enel Green Power Romania Srl	1.00% 99.00%	100.00%
Boiro Energía SA	Boiro	Spain	601,010.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	40.00%	28.04%
Boott Field LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Boott Hydropower LLC	Boston (Massachusetts)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Bp Hydro Associates	Boise (Idaho)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc. Chi Idaho LLC	32.00% 68.00%	100.00%
Bp Hydro Finance Partnership	Salt Lake City (Utah)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Bp Hydro Associates Enel Green Power North America Inc.	75.92% 24.08%	100.00%
Braila Power SA	Sat Chiscani, Comuna Chiscani	Romania	1,900,000.00	RON	Electricity generation	Equity	Enel Investment Holding BV	29.93%	29.93%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Buffalo Dunes Wind Project LLC	Topeka (Kansas)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	EGPNA Development Holdings LLC	75.00%	75.00%
Business Venture Investments 1468 (Pty) Ltd	Lombardy East	South Africa	1,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
Bypass Limited LLC	Boise (Idaho)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Bypass Power Company LLC	Los Angeles (California)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi West LLC	100.00%	100.00%
Canastota Wind Power LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Caney River Wind Project LLC	Topeka (Kansas)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Rocky Caney Wind LLC	100.00%	100.00%
Carbopego - Abastecimientos e Combustiveis SA	Abrantes	Portugal	50,000.00	EUR	Fuel supply	Equity	Endesa Generación SA Endesa Generación Portugal SA	49.99% 0.01 %	35.05%
Carodex (Pty) Ltd	Houghton	South Africa	116.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	98.49%	98.49%
Castle Rock Ridge Limited Partnership	Calgary (Alberta)	Canada	-	CAD	Electricity generation from renewable resources	Line-by-line	Enel Alberta Wind Inc. Enel Green Power Canada Inc.	0.10% 99.90%	100.00%
Cefeidas Desarrollo Solar SL	Puerto del Rosario	Spain	3,008.00	EUR	Photovoltaics	Equity	Endesa Ingeniería SLU	50.00%	35.05%
Central Costanera SA	Buenos Aires	Argentina	701,988,378.00	ARS	Electricity generation and sale	Line-by-line	Endesa Argentina SA Enel Américas SA Southern Cone Power Argentina SA	49.68% 24.85% 1.15%	39.16%
Central Dock Sud SA	Buenos Aires	Argentina	35,595,178,229.00	ARS	Electricity generation, transmission and distribution	Line-by-line	Inversora Dock Sud SA	69.99%	20.85%
Central Eólica Canela SA	Santiago	Chile	12,284,740,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Gas Atacama Chile SA	75.00%	27.75%
Central Geradora Termelétrica Fortaleza SA	Caucaia	Brazil	151,940,000.00	BRL	Thermal generation plants	Line-by-line	Enel Brasil SA	100.00%	51.46%
Central Hidráulica Güejar-Sierra SL	Seville	Spain	364,210.00	EUR	Operation of hydroelectric plants	Equity	Enel Green Power España SL	33.30%	23.34%
Central Térmica de Anllares AIE	Madrid	Spain	595,000.00	EUR	Operation of thermal plants	Equity	Endesa Generación SA	33.33%	23.36%
Central Vuelta de Obligado SA	Buenos Aires	Argentina	500,000.00	ARS	Electrical facilities construction	Equity	Central Costanera SA Central Dock Sud SA Hidroeléctrica El Chocón SA	1.30% 6.40% 33.20%	13.07%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Centrales Hidroeléctricas de Aysén SA	Santiago	Chile	158,975,665,182.00	CLP	Design	Equity	Enel Generación Chile SA	51.00%	18.54%
Centrales Nucleares Almaraz-Trillo AIE	Madrid	Spain	-	EUR	Operation of nuclear plants	Equity	Endesa Generación SA Nucleon SA	23.57% 0.69%	16.76%
Centrum Pre Vedu a Vyskum Sro	Kalná nad Hronom	Slovakia	6,639.00	EUR	Research and development in science and engineering	Equity	Slovenské elektrárne AS	100.00%	33.00%
CESI - Centro Elettrotecnico Sperimentale Italiano Giacinto Motta SpA	Milan	Italy	8,550,000.00	EUR	Research and testing services, analysis and consulting, engineering, design and certification	Equity	Enel SpA	42.70%	42.70%
Chepei Desarrollo Solar L	Las Palmas de Gran Canaria	Spain	3,008.00	EUR	Photovoltaics	Equity	Endesa Ingeniería SLU	50.00%	35.05%
Cherokee Falls Hydroelectric Project LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Chi Black River LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Chi Idaho LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Chi Minnesota Wind LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Chi Operations Inc.	Wilmington (Delaware)	USA	100.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Chi Power Inc.	Wilmington (Delaware)	USA	100.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Chi Power Marketing Inc.	Wilmington (Delaware)	USA	100.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Chi West LLC	Wilmington (Delaware)	USA	100.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Chilectra Inversud SA	Santiago	Chile	569,020,000.00	USD	Holding company	Line-by-line	Enel Américas SA	100.00%	51.80%
Chinango SAC	Lima	Peru	294,249,298.00	PEN	Electricity generation, sale and transmission	Line-by-line	Enel Generación Perú SAA	80.00%	34.64%
Chisago Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Chisholm View Wind Project II LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	100.00%	51.00%
Chisholm View Wind Project LLC	Oklahoma City (Oklahoma)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Wind Holdings LLC	100.00%	50.00%
Chladiace Veze Bohunice Spol Sro	Bohunice	Slovakia	16,598.00	EUR	Engineering and construction	Equity	Slovenské elektrárne AS	35.00%	11.55%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Cimarron Bend Assets LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	1.00%	51.00%
							Cimarron Bend Wind Project I LLC	49.00%	
							Cimarron Bend Wind Project II LLC	49.00%	
							Cimarron Bend Wind Project III LLC	1.00%	
Cimarron Bend Wind Holdings I LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	Cimarron Bend Wind Holdings LLC	100.00%	50.00%
Cimarron Bend Wind Holdings LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Wind Holdings LLC	100.00%	50.00%
Cimarron Bend Wind Project I LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Cimarron Bend Wind Holdings I LLC	100.00%	50.00%
Cimarron Bend Wind Project II LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	Cimarron Bend Wind Project II LLC	100.00%	50.00%
Cimarron Bend Wind Project III LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	100.00%	100.00%
Cimarron Bend Wind Project LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	Enel Kansas LLC	50.00%	50.00%
Codensa SA ESP	Bogotá DC	Colombia	13,514,515,800.00	COP	Electricity distribution and sale	Line-by-line	Enel Américas SA	48.41%	25.08%
Cogein Lucania Srl	Naples	Italy	10,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Cogein Sannio Srl	Naples	Italy	10,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Cogeneración El Salto SL (in liquidation)	Zaragoza	Spain	36,060.73	EUR	Cogeneration of electricity and heat	-	Enel Green Power España SL	20.00%	14.02%
Comercializadora de Energía SA	Buenos Aires	Argentina	14,010,014.00	ARS	Electricity sales	Line-by-line	Enel Américas SA	55.00%	51.78%
							Endesa Argentina SA	45.00%	
Compagnia Porto di Civitavecchia SpA	Rome	Italy	22,372,000.00	EUR	Construction of port infrastructure	Equity	Enel Produzione SpA	25.00%	25.00%
Companhia Energética do Ceará SA	Fortaleza	Brazil	442,950,000.00	BRL	Electricity generation, transmission and distribution	Line-by-line	Enel Américas SA	15.18%	38.16%
							Enel Brasil SA	58.87%	
Compañía de Transmisión del Mercosur Ltda	Buenos Aires	Argentina	14,012,000.00	ARS	Electricity generation, transmission and distribution	Line-by-line	Endesa Argentina SA	45.00%	51.46%
							Enel Américas SA	55.00%	
Compañía Energética Veracruz SAC	Lima	Peru	2,886,000.00	PEN	Hydroelectric projects	Line-by-line	Generalima SA	100.00%	51.80%
Compañía Eólica Tierras Altas SA	Soria	Spain	13,222,000.00	EUR	Wind plants	Equity	Enel Green Power España SL	37.51%	26.29%
Concert Srl	Rome	Italy	10,000.00	EUR	Product, plant and equipment certification	Line-by-line	Enel Ingegneria e Ricerca SpA	49.00%	100.00%
							Enel Produzione SpA	51.00%	

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Coneross Power Corporation Inc.	Greenville (South Carolina)	USA	110,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Consolidated Hydro New Hampshire LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Consolidated Hydro New York LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Consolidated Hydro Southeast LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Consolidated Pumped Storage Inc.	Wilmington (Delaware)	USA	550,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	81.82%	81.82%
Consorcio Eólico Marino Cabo de Trafalgar SL	Cadiz	Spain	200,000.00	EUR	Wind plants	Equity	Enel Green Power España SL	50.00%	35.05%
Copenhagen Hydro LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Corporación Eólica de Zaragoza SL	Zaragoza	Spain	1,021,600.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	25.00%	17.53%
Crucero Oeste Cinco SpA	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power del Sur SpA (formerly Parque Eólico Renaico SpA)	100.00%	99.91%
Crucero Oeste Cuatro SpA	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power del Sur SpA (formerly Parque Eólico Renaico SpA)	100.00%	99.91%
Crucero Oeste Dos SpA	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power del Sur SpA (formerly Parque Eólico Renaico SpA)	100.00%	99.91%
Crucero Oeste Tres SpA	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power del Sur SpA (formerly Parque Eólico Renaico SpA)	100.00%	99.91%
Crucero Oeste Uno SpA	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power del Sur SpA (formerly Parque Eólico Renaico SpA)	100.00%	99.91%
Danax Energy (Pty) Ltd	Houghton	South Africa	100.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
De Rock'1 Srl	Bucharest	Romania	5,629,000.00	RON	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA Enel Green Power Romania Srl	0.00% 100.00%	100.00%
Depuración Destilación Boiro Reciclaje SL		Spain	600,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	40.00%	28.04%
Desarrollo Photosolar SL	Las Palmas de Gran Canaria	Spain	3,008.00	EUR	Photovoltaics	Equity	Endesa Ingeniería SLU	50.00%	35.05%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Desarrollo de Fuerzas Renovables S de RL de Cv	Mexico City	Mexico	13,564,350.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power México S de RL de Cv	99.99%	100.00%
							Energía Nueva Energía Limpia México S de RL de Cv	0.01%	
Diego de Almagro Matriz SpA	Santiago	Chile	351,604,338.00	CLP	Electricity generation from renewable resources	Line-by-line	Empresa Eléctrica Panguipulli SA	100.00%	99.91%
Dietrich Drop LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Diseño de Sistemas en Valencia silicio SA (in liquidation)		Spain	578,000.00	EUR	Photovoltaic systems	-	Endesa Servicios SL	14.39%	10.09%
Distribuidora de Energía Eléctrica del Bages SA	Barcelona	Spain	108,240.00	EUR	Electricity distribution and sale	Line-by-line	Hidroeléctrica de Catalunya SL	45.00%	70.10%
							Endesa Red SA	55.00%	
Distribuidora Eléctrica del Puerto de La Cruz SA	Tenerife	Spain	12,621,210.00	EUR	Electricity purchase, transmission and distribution	Line-by-line	Endesa Red SA	100.00%	70.10%
Distrilec Inversora SA	Buenos Aires	Argentina	497,610,000.00	ARS	Holding company	Line-by-line	Enel Américas SA	51.50%	26.68%
Dodge Center Distributed Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Dominica Energía Limpia S de RL de Cv	Colonia Guadalupe Inn	Mexico	279,282.23	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power Guatemala SA	0.04%	100.00%
							Enel Green Power México S de RL de Cv	99.96%	
Drift Sand Wind Holdings LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	35.00%	35.00%
Drift Sand Wind Project LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	Drift Sand Wind Holdings LLC	100.00%	35.00%
e-distributie Banat SA	Timisoara	Romania	382,158,580.00	RON	Electricity distribution	Line-by-line	Enel Investment Holding BV	51.00%	51.00%
e-distributie Dobrogea SA	Costanta	Romania	280,285,560.00	RON	Electricity distribution	Line-by-line	Enel Investment Holding BV	51.00%	51.00%
Eastwood Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
e-distributie Muntenia SA	Bucharest	Romania	271,635,250.00	RON	Electricity distribution	Line-by-line	Enel Investment Holding BV	64.43%	64.43%
e-distribuzione SpA	Rome	Italy	2,600,000,000.00	EUR	Electricity distribution	Line-by-line	Enel SpA	100.00%	100.00%
EGP BioEnergy Srl	Rome	Italy	1,000,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Puglia Srl	100.00%	100.00%
EGP Energy Storage Holdings LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
EGP Geronimo Holding Company Inc.	Wilmington (Delaware)	USA	1,000.00	USD	Holding company	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
EGP Salt Wells Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
EGP San Leandro Microgrid I LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
EGP Solar 1 LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Solar Holdings LLC	100.00%	50.00%
EGP Stillwater Solar LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	Enel Stillwater LLC	100.00%	50.00%
EGP Stillwater Solar PV II LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
EGP Timber Hills Project LLC	Los Angeles (California)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Padoma Wind Power LLC	100.00%	100.00%
EGPNA Development Holdings LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Development LLC	100.00%	100.00%
EGPNA Hydro Holdings LLC	Delaware	USA	-	USD	Holding company	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
EGPNA Preferred Wind Holdings LLC	Delaware	USA	-	USD	Renewables holding company	Equity	EGPNA REP Wind Holdings LLC	100.00%	50.00%
EGPNA Renewable Energy Partners LLC	Delaware	USA	-	USD	Holding company	Equity	EGPNA REP Holdings LLC	50.00%	50.00%
EGPNA REP Holdings LLC	Delaware	USA	-	USD	Holding company	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
EGPNA REP Hydro Holdings LLC	Delaware	USA	-	USD	Holding company	Equity	EGPNA Renewable Energy Partners LLC	100.00%	50.00%
EGPNA REP Solar Holdings LLC	Delaware	USA	-	USD	Holding company	Equity	EGPNA Renewable Energy Partners LLC	100.00%	50.00%
EGPNA REP Wind Holdings LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA Renewable Energy Partners LLC	100.00%	50.00%
EGPNA Wind Holdings 1 LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Wind Holdings LLC	100.00%	50.00%
El Dorado Hydro LLC	Los Angeles (California)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Elcogas SA	Puertollano	Spain	809.690,40	EUR	Electricity generation	Equity	Enel SpA	4.32%	33.05%
							Endesa Generación SA	40.99%	
Elcomex Solar Energy Srl	Costanta	Romania	4,590,000.00	RON	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	0.00%	100.00%
							Enel Green Power Romania Srl	100.00%	
Elecgas SA	Santarem (Pego)	Portugal	50,000.00	EUR	Combined-cycle electricity generation	Equity	Endesa Generación Portugal SA	50.00%	35.05%
Electra Capital (RF) (Pty) Ltd	Johannesburg	South Africa	10,000,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	60.00%	60.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Eléctrica Cabo Blanco SA	Lima	Peru	46,508,170.00	PEN	Holding company	Line-by-line	Enel Américas SA	80.00%	51.80%
							Generalima SA	20.00%	
Eléctrica de Jafre SA	Girona	Spain	165,880.00	EUR	Electricity distribution and sale	Equity	Hidroeléctrica de Catalunya SL	47.46%	33.27%
Eléctrica de Lijar SL	Cadiz	Spain	1,081,820.00	EUR	Electricity transmission and distribution	Equity	Endesa Red SA	50.00%	35.05%
Eléctrica del Ebro SA (Sociedad Unipersonal)	Tarragona	Spain	500,000.00	EUR	Electricity distribution and supply	Line-by-line	Endesa Red SA	100.00%	70.10%
Electricidad de Puerto Real SA	Cadiz	Spain	6,611,130.00	EUR	Electricity distribution and supply	Equity	Endesa Red SA	50.00%	35.05%
Electrogas SA	Santiago	Chile	61,832,327.00	USD	Holding company	Equity	Enel Generación Chile SA	42.50%	15.45%
Elk Creek Hydro LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Emgesa Panama SA	Panama	Panama	10,000.00	USD	Electricity trading	Line-by-line	Emgesa SA ESP	100.00%	25.11%
Emgesa SA ESP	Bogotá DC	Colombia	655,222,310,000.00	COP	Electricity generation and sale	Line-by-line	Enel Américas SA	48.48%	25.11%
Emittenti Titoli SpA	Milan	Italy	5,200,000.00	EUR	-	-	Enel SpA	10.00%	10.00%
Empresa Carbonífera del Sur SA	Madrid	Spain	18,030,000.00	EUR	Mining	Line-by-line	Endesa Generación SA	100.00%	70.10%
Empresa de Transmisión Chena SA	Santiago	Chile	250,428,941.00	CLP	Electricity transmission	Line-by-line	Enel Distribución Chile SA	99.90%	60.07%
							Empresa Eléctrica de Colina Ltda	0.10%	
Empresa Distribuidora Sur SA	Buenos Aires	Argentina	898,590,000.00	ARS	Electricity distribution and sale	Line-by-line	Distrilec Inversora SA	56.36%	37.34%
							Enel Américas SA	43.10%	
Empresa Eléctrica de Colina Ltda	Santiago	Chile	82,222,000.00	CLP	Electricity generation, transmission and distribution	Line-by-line	Luz Andes Ltda	0.00%	60.07%
							Enel Distribución Chile SA	100.00%	
Empresa Eléctrica Panguipulli SA	Santiago	Chile	48,038,937.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Chile Ltda	99.99%	99.91%
							Enel Green Power Latin America Ltda	0.01%	
Empresa Eléctrica Pehuenche SA	Santiago	Chile	175,774,920,733.00	CLP	Electricity generation, transmission and distribution	Line-by-line	Enel Generación Chile SA	92.65%	33.69%
Empresa Nacional de Geotermia SA	Santiago	Chile	12,647,752,517.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Chile Ltda	51.00%	50.95%
Empresa Propietaria de La Red SA	Panama	Panama	58,500,000.00	USD	Electricity transmission and distribution	-	Enel Iberoamérica Srl	11.11%	11.11%
En-Brasil Comercio e Serviços SA	Rio de Janeiro	Brazil	1,000,000.00	BRL	Electricity	Line-by-line	Enel Brasil SA	99.99%	51.46%
							Central Geradora Termelétrica Fortaleza SA	0.01%	
Endesa Argentina SA	Buenos Aires	Argentina	514,530,000.00	ARS	Holding company	Line-by-line	Enel Américas SA	99.66%	51.72%
							Gas Atacama Chile SA	0.34%	
Endesa Capital SA	Madrid	Spain	60,200.00	EUR	Finance company	Line-by-line	Endesa SA	100.00%	70.10%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Endesa Comercialização de Energia SA	Oporto	Portugal	250,000.00	EUR	Electricity generation and sale	Line-by-line	Endesa Energía SA	100.00%	70.10%
Endesa Distribución Eléctrica SL	Barcelona	Spain	1,204,540,060.00	EUR	Electricity distribution	Line-by-line	Endesa Red SA	100.00%	70.10%
Endesa Energía SA	Madrid	Spain	12,981,860.00	EUR	Marketing of energy products	Line-by-line	Endesa SA	100.00%	70.10%
Endesa Energía XXI SL	Madrid	Spain	2,000,000.00	EUR	Marketing and energy-related services	Line-by-line	Endesa Energía SA	100.00%	70.10%
Endesa Financiación Filiales SA	Madrid	Spain	4,621,003,006.00	EUR	Finance company	Line-by-line	Endesa SA	100.00%	70.10%
Endesa Generación II SA	Seville	Spain	63,107.00	EUR	Electricity generation	Line-by-line	Endesa SA	100.00%	70.10%
Endesa Generación Nuclear SA	Seville	Spain	60,000.00	EUR	Subholding company in the nuclear sector	Line-by-line	Endesa Generación SA	100.00%	70.10%
Endesa Generación Portugal SA	Paço d'Arcos (Oeiras)	Portugal	50,000.00	EUR	Electricity generation	Line-by-line	Endesa Generación SA	99.20%	70.10%
							Endesa Energía SA	0.20%	
							Enel Green Power España SL	0.40%	
							Energías de Aragón II SL	0.20%	
Endesa Generación SA	Seville	Spain	1,940,379,737.02	EUR	Electricity generation and sale	Line-by-line	Endesa SA	100.00%	70.10%
Endesa Ingeniería SLU	Seville	Spain	1,000,000.00	EUR	Consulting and engineering services	Line-by-line	Endesa Red SA	100.00%	70.10%
Endesa Operaciones y Servicios Comerciales SL	Barcelona	Spain	10,138,580.00	EUR	Services	Line-by-line	Endesa Energía SA	100.00%	70.10%
Endesa Power Trading Ltd	London	United Kingdom	2.00	GBP	Trading	Line-by-line	Endesa SA	100.00%	70.10%
Endesa Red SA	Barcelona	Spain	719,901,728.28	EUR	Electricity distribution	Line-by-line	Endesa SA	100.00%	70.10%
Endesa SA	Madrid	Spain	1,270,502,540.40	EUR	Holding company	Line-by-line	Enel Iberoamérica Srl	70.10%	70.10%
Endesa Servicios SL	Madrid	Spain	89,999,790.00	EUR	Services	Line-by-line	Endesa SA	100.00%	70.10%
Enel Américas SA	Santiago	Chile	3,575,339,011,549.00	CLP	Electricity generation and distribution	Line-by-line	Enel Iberoamérica Srl	51.80%	51.80%
Enel Alberta Wind Inc.	Calgary (Alberta)	Canada	16,251,021.00	CAD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Canada Inc.	100.00%	100.00%
Enel Atlantic Canada Limited Partnership	Newfoundland	Canada	-	CAD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Canada Inc.	99.90%	100.00%
							Newind Group Inc.	0.10%	
Enel Brasil SA	Rio de Janeiro	Brazil	1,320,049,091.42	BRL	Holding company	Line-by-line	Enel Generación Perú SAA	4.00%	51.46%
							Chilectra Inversud SA	5.94%	
							Enel Américas SA	90.06%	
Enel Chile SA	Santiago	Chile	2,229,108,974,538.00	CLP	Electricity generation and distribution	Line-by-line	Enel Iberoamérica Srl	60.62%	60.62%
Enel Cien SA	Rio de Janeiro	Brazil	285,050,000.00	BRL	Electricity generation, transmission and distribution	Line-by-line	Enel Brasil SA	100.00%	51.46%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enel Cove Fort II LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Enel Cove Fort LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	Enel Geothermal LLC	100.00%	50.00%
Enel Distribución Chile SA	Santiago	Chile	230,137,980,270.00	CLP	Holding company. Electricity distribution	Line-by-line	Gas Atacama Chile SA	0.00%	60.07%
							Enel Chile SA	99.09%	
Enel Distribución Perú SAA	Lima	Peru	638,560,000.00	PEN	Electricity distribution and sale	Line-by-line	Inversiones Distrilima SA	51.68%	39.21%
							Enel Américas SA	24.00%	
Enel Energia SpA	Rome	Italy	302,039.00	EUR	Electricity and gas sales	Line-by-line	Enel SpA	100.00%	100.00%
Enel Energía SA de Cv	Mexico City	Mexico	100.00	MXN	Electricity generation from renewable resources	Line-by-line	Energía Nueva de Iguu S de RL de Cv	1.00%	100.00%
							Enel Green Power México S de RL de Cv	99.00%	
Enel Energie Muntenia SA	Bucharest	Romania	37,004,350.00	RON	Electricity sales	Line-by-line	Enel Investment Holding BV	64.43%	64.43%
Enel Energie SA	Bucharest	Romania	140,000,000.00	RON	Electricity sales	Line-by-line	Enel Investment Holding BV	51.00%	51.00%
Enel Energy South Africa	Gauteng	South Africa	100.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel F2i Solare Italia SpA	Rome	Italy	5,100,000.00	EUR	Electricity generation	Equity	Marte Srl	50.00%	50.00%
Enel Finance International NV	Amsterdam	Netherlands	1,478,810,371.00	EUR	Holding company	Line-by-line	Enel SpA	100.00%	100.00%
Enel Fortuna SA	Panama	Panama	100,000,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	50.06%	50.06%
Enel Generación Chile SA	Santiago	Chile	552,777,320,871.00	CLP	Electricity generation, transmission and distribution	Line-by-line	Enel Chile SA	59.98%	36.36%
Enel Generación Perú SAA	Lima	Peru	2,302,143,514.88	PEN	Electricity generation, distribution and sales	Line-by-line	Enel Américas SA	29.40%	43.31%
							Generandes Perú SA	54.20%	
Enel Generación Piura SA	Lima	Peru	73,982,594.00	PEN	Electricity generation	Line-by-line	Eléctrica Cabo Blanco SA	60.00%	49.99%
							Generalima SA	36.50%	
Enel Geothermal LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA Renewable Energy Partners LLC	100.00%	50.00%
Enel GP Newfoundland and Labrador Inc.	Newfoundland	Canada	1,000.00	CAD	Electricity generation from renewable resources	Equity	EGPNA REP Wind Holdings LLC	100.00%	50.00%
Enel Green Power Africa Srl	Rome	Italy	10,000.00	EUR	Electricity generation	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Argentina SA	Buenos Aires	Argentina	100,000.00	ARS	Electricity generation from renewable resources	Line-by-line	Enel Green Power Latin America Ltda	5.00%	100.00%
							Enel Green Power SpA	95.00%	

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enel Green Power Boa Vista Eólica SA	Niterói (Rio de Janeiro)	Brazil	1,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.00%	100.00%
							Enel Green Power Desenvolvimento Ltda	1.00%	
Enel Green Power Bom Jesus da Lapa Solar SA	Rio de Janeiro	Brazil	-	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Enel Green Power Brasil Participações Ltda	Rio de Janeiro	Brazil	4,024,724,678.00	BRL	Holding company	Line-by-line	Enel Green Power SpA	99.99%	100.00%
							Enel Green Power Latin America Ltda	0.01%	
Enel Green Power Bulgária EAD	Sofia	Bulgaria	35,231,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Cabeça de Boi SA	Rio de Janeiro	Brazil	76,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Enel Green Power Cachoeira Dourada SA	Goiania	Brazil	289,340,000.00	BRL	Electricity generation and sale	Line-by-line	Enel Brasil SA	99.75%	51.34%
Enel Green Power CAI Agroenergy Srl	Rome	Italy	100,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Calabria Srl	Rome	Italy	10,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Canada Inc.	Montreal (Quebec)	Canada	85,681,857.00	CAD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Enel Green Power Chile Ltda	Santiago	Chile	15,649,360,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Latin America Ltda	99.99%	99.91%
							Hydromac Energy Srl	0.01%	
Enel Green Power Colombia SA	Bogotá DC	Colombia	300,000,000.00	COP	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Costa Rica SA	San José	Costa Rica	27,500,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Cristal Eólica SA	Rio de Janeiro	Brazil	144,640,892.85	BRL	Electricity generation and sales from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	
Enel Green Power Cristalândia I Eólica SA	Rio de Janeiro	Brazil	1,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Cristalândia II Eólica SA	Rio de Janeiro	Brazil	1,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enel Green Power Damascena Eólica SA	Rio de Janeiro	Brazil	70,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	
Enel Green Power del Sur SpA (formerly Parque Eólico Renaiço SpA)	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Chile Ltda	100.00%	99.91%
Enel Green Power Delfina A Eólica SA	Rio de Janeiro	Brazil	70,379,344.85	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Delfina B Eólica SA	Rio de Janeiro	Brazil	23,054,973.26	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Delfina C Eólica SA	Rio de Janeiro	Brazil	7,298,322.77	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Delfina D Eólica SA	Rio de Janeiro	Brazil	24,624,368.53	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Delfina E Eólica SA	Rio de Janeiro	Brazil	24,623,467.93	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Desenvolvimento Ltda	Rio de Janeiro	Brazil	13,900,297.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Latin America Ltda	0.01%	100.00%
							Enel Green Power Brasil Participações Ltda	99.99%	
Enel Green Power Development Srl	Rome	Italy	20,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Dois Riachos Eólica SA	Rio de Janeiro	Brazil	135,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Enel Green Power Ecuador SA	Quito	Ecuador	26,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	99.00%	100.00%
							Enel Green Power Latin America Ltda	1.00%	
Enel Green Power Egypt SAE	Cairo	Egypt	250,000.00	EGP	Management, operation and maintenance of energy production plant of all types and their distribution networks	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power El Salvador SA de Cv	San Salvador	El Salvador	3,071,090.00	SVC	Electricity generation from renewable resources	Line-by-line	Enel Green Power Latin America Ltda	0.00%	99.00%
							Enel Green Power SpA	99.00%	

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enel Green Power Emiliana Eólica SA	Rio de Janeiro	Brazil	177,500,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	
Enel Green Power España SL	Madrid	Spain	11,152.74	EUR	Electricity generation from renewable resources	Line-by-line	Endesa Generación SA	100.00%	70.10%
Enel Green Power Esperança Eólica SA	Rio de Janeiro	Brazil	135,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.00%	100.00%
							Enel Green Power Desenvolvimento Ltda	1.00%	
Enel Green Power Fazenda SA	Rio de Janeiro	Brazil	62,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Enel Green Power Finale Emilia Srl	Rome	Italy	10,000,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	70.00%	70.00%
Enel Green Power Granadilla SL	Tenerife	Spain	3,012.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	65.00%	45.57%
Enel Green Power Guatemala SA	Guatemala City	Guatemala	100,000.00	GTQ	Holding company	Line-by-line	Enel Green Power Latin America Ltda	2.00%	100.00%
							Enel Green Power SpA	98.00%	
Enel Green Power Hellas SA	Maroussi	Greece	7,737,850.00	EUR	Holding company, energy services	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Horizonte MP Solar SA	Rio de Janeiro	Brazil	-	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.99%	99.99%
Enel Green Power Ituverava Norte Solar SA	Rio de Janeiro	Brazil	1,639,346.69	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Ituverava Solar SA	Rio de Janeiro	Brazil	1,639,346.69	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Ituverava Sul Solar SA	Rio de Janeiro	Brazil	8,513,128.89	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Joana Eólica SA	Rio de Janeiro	Brazil	165,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enel Green Power Kenya Limited	Nairobi	Kenya	100,000.00	KES	Electricity generation, transmission, distribution, sale and purchase	Line-by-line	Enel Green Power SpA Enel Green Power RSA (Pty) Ltd	99.00% 1.00%	100.00%
Enel Green Power Latin America Ltda	Santiago	Chile	30,728,470.00	CLP	Holding company	Line-by-line	Enel Green Power SpA Hydromac Energy Srl	0.01% 99.90%	99.91%
Enel Green Power Maniçoba Eólica SA	Rio de Janeiro	Brazil	70,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda Enel Green Power Brasil Participações Ltda	1.00% 99.00%	100.00%
Enel Green Power México S de RL de Cv	Mexico City	Mexico	2,399,774,165.00	MXN	Holding company	Line-by-line	Enel Green Power SpA Enel Green Power Latin America Ltda	99.99% 0.01%	100.00%
Enel Green Power Modelo I Eólica SA	Rio de Janeiro	Brazil	175,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda Enel Brasil SA	99.00% 1.00%	99.51%
Enel Green Power Modelo II Eólica SA	Rio de Janeiro	Brazil	150,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Brasil SA Enel Green Power Brasil Participações Ltda	1.00% 99.00%	99.51%
Enel Green Power Morocco SARLAU	Morocco	Morocco	1,000,000.00	MAD	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Morro do Chapéau I Eólica SA	Niterói (Rio de Janeiro)	Brazil	1,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.00%	99.00%
Enel Green Power Morro do Chapéau II Eólica SA	Niterói (Rio de Janeiro)	Brazil	1,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.00%	99.00%
Enel Green Power Mourão SA	Rio de Janeiro	Brazil	8,513,128.89	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.90%	99.90%
Enel Green Power Namibia (Pty) Ltd	Windhoek	Namibia	100.00	NAD	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power North America Development LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power North America Inc.	Wilmington (Delaware)	USA	50.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Nova Lapa Solar SA	Rio de Janeiro	Brazil	-	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enel Green Power Nova Olinda B Solar SA	Rio de Janeiro	Brazil	-	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Enel Green Power Nova Olinda C Solar SA	Rio de Janeiro	Brazil	-	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Enel Green Power Nova Olinda Norte Solar SA	Rio de Janeiro	Brazil	-	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Enel Green Power Nova Olinda Sul Solar SA	Rio de Janeiro	Brazil	-	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Enel Green Power Panama SA	Panama	Panama	3,000.00	USD	Holding company	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Paranapanema SA	Rio de Janeiro	Brazil	1,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Enel Green Power Partecipazioni Speciali Srl	Rome	Italy	10,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Pau Ferro Eólica SA	Rio de Janeiro	Brazil	178,670,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	
Enel Green Power Pedra do Gerônimo Eólica SA	Rio de Janeiro	Brazil	230,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	
Enel Green Power Perú SA	Lima	Peru	93,855,088.00	PEN	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	99.90%	99.91%
							Empresa Eléctrica Panguipulli SA	0.01%	
Enel Green Power Primavera Eólica SA	Rio de Janeiro	Brazil	144,640,892.85	BRL	Electricity generation and sales from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	
Enel Green Power Puglia Srl	Rome	Italy	1,000,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power RA SAE	Cairo	Egypt	15,000,000.00	EGP	Management, operation and maintenance of energy production plant of all types and their distribution networks	Line-by-line	Enel Green Power Egypt SAE	100.00%	100.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enel Green Power Romania Srl	Sat Rusu de Sus Nuseni	Romania	2,430,631,000.00	RON	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power RSA (Pty) Ltd	Johannesburg	South Africa	1,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Development Srl	100.00%	100.00%
Enel Green Power RSA 2 (Pty) Ltd	Johannesburg	South Africa	120.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
Enel Green Power Salto Apiacás SA	Niterói (Rio de Janeiro)	Brazil	14,412,120.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.00%	100.00%
							Enel Green Power Desenvolvimento Ltda	1.00%	
Enel Green Power San Gillio Srl	Rome	Italy	10,000.00	EUR	Electricity generation from renewable resources	Equity	Altomonte Fv Srl	80.00%	40.00%
Enel Green Power São Abraão Eólica SA	Niterói (Rio de Janeiro)	Brazil	1,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Brasil Participações Ltda	99.00%	99.00%
Enel Green Power São Judas Eólica SA	Rio de Janeiro	Brazil	144,640,892.85	BRL	Electricity generation and sales from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	
Enel Green Power SHU SAE	Cairo	Egypt	15,000,000.00	EGP	Management, operation and maintenance of energy production plant of all types and their distribution networks	Line-by-line	Enel Green Power Egypt SAE	100.00%	100.00%
Enel Green Power Singapore Pte Ltd	Singapore	Singapore	50,000.00	SGD	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Solar Energy Srl	Rome	Italy	10,000.00	EUR	Design, development, construction and operation of photovoltaic plants (holding company)	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power SpA Rome		Italy	272,000,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel SpA	100.00%	100.00%
Enel Green Power Strambino Solar Srl	Turin	Italy	250,000.00	EUR	Electricity generation from renewable resources	Equity	Altomonte Fv Srl	60.00%	30.00%
Enel Green Power Tacaicó Eólica SA	Rio de Janeiro	Brazil	125,765,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enel Green Power Tefnut SAE	Cairo	Egypt	15,000,000.00	EGP	Management, operation and maintenance of energy production plant of all types and their distribution networks	Line-by-line	Enel Green Power Egypt SAE	100.00%	100.00%
Enel Green Power Turkey Enerji Yatirimlari Anonim Şirketi	Istanbul	Turkey	61,654,658.00	TRY	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Uruguay SA	Montevideo	Uruguay	400,000.00	UYU	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Enel Green Power Villoresi Srl	Rome	Italy	1,200,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	51.00%	51.00%
Enel Iberoamérica Srl	Madrid	Spain	500,000,000.00	EUR	Holding company	Line-by-line	Enel SpA	100.00%	100.00%
Enel Ingegneria e Ricerca SpA	Rome	Italy	30,000,000.00	EUR	Analysis, design, construction and maintenance of engineering works	Line-by-line	Enel SpA	100.00%	100.00%
Enel Insurance NV	Amsterdam	Netherlands	60,000.00	EUR	Insurance holding company	Line-by-line	Enel Investment Holding BV	100.00%	100.00%
Enel Investment Holding BV	Amsterdam	Netherlands	1,593,050,000.00	EUR	Holding company	Line-by-line	Enel SpA	100.00%	100.00%
Enel Italia Srl	Rome	Italy	50,000,000.00	EUR	Personnel administration activities, information technology and business services	Line-by-line	Enel SpA	100.00%	100.00%
Enel Kansas LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Enel Latinoamérica SA	Madrid	Spain	796,683,058.00	EUR	Holding company	Line-by-line	Enel Iberoamérica Srl	100.00%	100.00%
Enel M@p Srl	Rome	Italy	100,000.00	EUR	Metering, remote control and connectivity services via power line communication	Line-by-line	e-distribuzione SpA	100.00%	100.00%
Enel Minnesota Holdings LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	EGP Geronimo Holding Company Inc.	100.00%	100.00%
Enel Nevkan Inc.	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Enel Oil & Gas España SL	Madrid	Spain	33,000.00	EUR	Prospecting and development of hydrocarbon fields	Line-by-line	Enel Oil & Gas SpA	100.00%	100.00%
Enel Oil & Gas SpA	Rome	Italy	200,000,000.00	EUR	Upstream gas - extraction of natural gas	Line-by-line	Enel Trade SpA	100.00%	100.00%
Enel Productie Srl	Bucharest	Romania	20,210,200.00	RON	Electricity generation	Line-by-line	Enel Investment Holding BV	100.00%	100.00%
Enel Produzione SpA	Rome	Italy	1,800,000,000.00	EUR	Electricity generation	Line-by-line	Enel SpA	100.00%	100.00%
Enel Romania Srl	Judetul Ilfov	Romania	200,000.00	RON	Business services	Line-by-line	Enel Investment Holding BV	100.00%	100.00%
Enel Rus Wind Generation LLC	Moscow	Russian Federation	350,000.00	RUB	Energy services	Line-by-line	Enel Investment Holding BV	100.00%	100.00%
Enel Russia PJSC	Ekaterinburg	Russian Federation	35,371,898,370.00	RUB	Electricity generation	Line-by-line	Enel Investment Holding BV	56.43%	56.43%
Enel Salt Wells LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	Enel Geothermal LLC	100.00%	50.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enel Saudi Arabia Limited	Al Khobar	Saudi Arabia	5,000,000.00	SAR	Management of activities for participation in tenders organized by SEC for the development of smart metering and grid automation	Line-by-line	e-distribuzione SpA	60.00%	60.00%
Enel Servicii Comune SA	Bucharest	Romania	33,000,000.00	RON	Energy services	Line-by-line	e-distributie Banat SA e-distributie Dobrogea SA	50.00% 50.00%	51.00%
Servizio Elettrico Nazionale SpA	Rome	Italy	10,000,000.00	EUR	Electricity sales	Line-by-line	Enel SpA	100.00%	100.00%
Enel Sole Srl	Rome	Italy	4,600,000.00	EUR	Public lighting systems and services	Line-by-line	Enel SpA	100.00%	100.00%
Enel Soluções Energéticas Ltda	Niterói (Rio de Janeiro)	Brazil	5,000,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda Enel Green Power Brasil Participações Ltda	0.01 % 99.99%	100.00%
Enel Stillwater LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	Enel Geothermal LLC	100.00%	50.00%
Enel Surprise Valley LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Enel Texkan Inc.	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Power Inc.	100.00%	100.00%
Enel Trade d.o.o.	Zagabria	Croatia	2,240,000.00	HRK	Electricity trading	Line-by-line	Enel Trade SpA	100.00%	100.00%
Enel Trade Romania Srl	Bucharest	Romania	21,250,000.00	RON	Electricity sourcing and trading	Line-by-line	Enel Trade SpA	100.00%	100.00%
Enel Trade Serbia d.o.o.	Belgrado	Serbia	300,000.00	EUR	Electricity trading	Line-by-line	Enel Trade SpA	100.00%	100.00%
Enel Trade SpA	Rome	Italy	90,885,000.00	EUR	Fuel trading and logistics - Electricity sales	Line-by-line	Enel SpA	100.00%	100.00%
Enel Trading North America LLC	USA	USA	10,000,000.00	USD	Electricity trading	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Enel.Factor SpA	Rome	Italy	12,500,000.00	EUR	Factoring	Line-by-line	Enel SpA	100.00%	100.00%
Enel.Newhydro Srl	Rome	Italy	1,000,000.00	EUR	Engineering and water systems	Line-by-line	Enel SpA	100.00%	100.00%
Enel.si Srl	Rome	Italy	5,000,000.00	EUR	Plant engineering and energy services	Line-by-line	Enel Energia SpA	100.00%	100.00%
Enelco SA	Athens	Greece	60,108.80	EUR	Plant construction, operation and maintenance	Line-by-line	Enel Investment Holding BV	75.00%	75.00%
Enelpower Contractor and Development Saudi Arabia Ltd	Riyadh	Saudi Arabia	5,000,000.00	SAR	Plant construction, operation and maintenance	Line-by-line	Enelpower SpA	51.00%	51.00%
Enelpower do Brasil Ltda	Rio de Janeiro	Brazil	1,242,000.00	BRL	Electrical engineering	Line-by-line	Enel Green Power Brasil Participações Ltda Enel Green Power Latin America Ltda	99.99% 0.01 %	100.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Enelpower SpA	Milan	Italy	2,000,000.00	EUR	Engineering and construction	Line-by-line	Enel SpA	100.00%	100.00%
Energética de Rosselló AIE	Barcelona	Spain	3,606,060.00	EUR	Cogeneration of electricity and heat	Equity	Enel Green Power España SL	27.00%	18.93%
Energética Monzón SAC	Lima	Peru	6,462,000.00	PEN	Electricity generation from renewable resources	Line-by-line	Empresa Eléctrica Panguipulli SA	0.00%	99.90%
							Enel Green Power Perú SA	99.99%	
Energía Eléctrica del Ebro SA (Sociedad Unipersonal)	Tarragona	Spain	96,160.00	EUR	Electricity generation and supply	Line-by-line	Eléctrica del Ebro SA (Sociedad Unipersonal)	100.00%	70.10%
Energía Eólica Srl	Rome	Italy	4,840,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Energía Global de México (Enermex) SA de Cv	Mexico City	Mexico	50,000.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	99.00%	99.00%
Energía Global Operaciones SA	San José	Costa Rica	10,000.00	CRC	Electricity generation from renewable resources	Line-by-line	Enel Green Power Costa Rica SA	100.00%	100.00%
Energía Limpia de Amistad S de RL de Cv	Mexico City	Mexico	296,822.00	MXN	Electricity generation from renewable resources	Line-by-line	Hidroelectricidad del Pacífico S de RL de Cv	0.01%	100.00%
							Enel Green Power México S de RL de Cv	99.99%	
Energía Limpia de Palo Alto S de RL de Cv	Mexico City	Mexico	650,863,671.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power México S de RL de Cv	99.99%	100.00%
							Hidroelectricidad del Pacífico S de RL de Cv	0.01%	
Energía Marina SpA	Santiago	Chile	2,404,240,000.00	CLP	Electricity generation from renewable resources	Equity	Enel Green Power Chile Ltda	25.00%	24.98%
Energía Nueva de Iguu S de RL de Cv	Mexico City	Mexico	31,397,375.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power México S de RL de Cv	99.90%	99.91%
							Energía Nueva Energía Limpia México S de RL de Cv	0.01%	
Energía Nueva Energía Limpia México S de RL de Cv	Mexico City	Mexico	5,339,650.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	99.96%	100.00%
							Enel Green Power Guatemala SA	0.04%	
Energías Alternativas del Sur SL	Las Palmas de Gran Canaria	Spain	5,589,393.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	54.95%	38.52%
Energías de Aragón I SL	Zaragoza	Spain	3,200,000.00	EUR	Electricity transmission, distribution and sale	Line-by-line	Endesa Red SA	100.00%	70.10%
Energías de Aragón II SL	Zaragoza	Spain	18,500,000.00	EUR	Electricity generation	Line-by-line	Enel Green Power España SL	100.00%	70.10%
Energías de Graus SL	Barcelona	Spain	1,298,160.00	EUR	Hydroelectric plants	Line-by-line	Enel Green Power España SL	66.67%	46.74%
Energías Especiales de Careón SA	La Coruña	Spain	270,450.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	77.00%	53.98%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Energías Especiales de Peña Armada SA	Madrid	Spain	963,300.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	80.00%	56.08%
Energías Especiales del Alto Ulla SA	Madrid	Spain	1,722,600.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	100.00%	70.10%
Energías Especiales del Bierzo SA	Torre del Bierzo	Spain	1,635,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	50.00%	35.05%
Energías Renovables La Mata SAPI de Cv	Mexico City	Mexico	656,615,400.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power México S de RL de Cv Energía Nueva de Iguu S de RL de Cv	99.99% 0.01%	100.00%
Energie Electrique de Tahaddart SA	Tangier	Morocco	750,400,000.00	MAD	Combined-cycle generation plants	Equity	Endesa Generación SA	32.00%	22.43%
Energosluzby AS (in liquidation)	Trnava	Slovakia	33,194.00	EUR	Business services	-	Slovenské elektrárne AS	100.00%	33.00%
Energotel AS	Bratislava	Slovakia	2,191,200.00	EUR	Operation of optical fiber network	Equity	Slovenské elektrárne AS	20.00%	6.60%
ENergy Hydro Piave Srl	Soverzene	Italy	800,000.00	EUR	Electricity purchases and sales	Line-by-line	Enel Produzione SpA	51.00%	51.00%
Enerlasa SA (in liquidation)	Madrid	Spain	1,021,700.00	EUR	Electricity generation from renewable resources	-	Enel Green Power España SL	45.00%	31.55%
Enerlive Srl	Rome	Italy	6,520,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Maicor Wind Srl	100.00%	100.00%
Eólica del Noroeste SL	La Coruña	Spain	36,100.00	EUR	Wind plant development	Line-by-line	Enel Green Power España SL	51.00%	35.75%
Eólica del Principado SAU	Oviedo	Spain	60,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	40.00%	28.04%
Eólica Fazenda Nova - Geração e Comercialização de Energia SA	Rio Grande do Norte	Brazil	1,839,000.00	BRL	Wind plants	Line-by-line	Enel Brasil SA	99.95%	51.44%
Eólica Valle del Ebro SA	Zaragoza	Spain	5,559,340.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	50.50%	35.40%
Eólica Zopiloapan SAPI de Cv	Mexico City	Mexico	1,877,201.54	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power México S de RL de Cv Enel Green Power Partecipazioni Speciali Srl	56.98% 39.50%	96.48%
Eólicas de Agaete SL	Las Palmas de Gran Canaria	Spain	240,400.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	80.00%	56.08%
Eólicas de Fuencaliente SA	Las Palmas de Gran Canaria	Spain	216,360.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	55.00%	38.56%
Eólicas de Fuerteventura AIE	Fuerteventura (Las Palmas)	Spain	-	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	40.00%	28.04%
Eólicas de la Patagonia SA (in liquidation)	Buenos Aires	Argentina	480,930.00	ARS	Electricity generation from renewable resources	-	Enel Green Power España SL	50.00%	35.05%
Eólicas de Lanzarote SL	Las Palmas de Gran Canaria	Spain	1,758,000.00	EUR	Electricity generation and distribution	Equity	Enel Green Power España SL	40.00%	28.04%

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Eólicas de Tenerife AIE	Santa Cruz de Tenerife	Spain	420,708.40	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	50.00%	35.05%
Eólicas de Tirajana AIE	Las Palmas de Gran Canaria	Spain	-	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	60.00%	42.06%
Erdwärme Oberland GmbH	Munich	Germany	116,667.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	78.57%	78.57%
Erecosalz SL	Zaragoza	Spain	18,030.36	EUR	Electricity generation from renewable resources	-	Enel Green Power España SL	33.00%	23.13%
Essex Company LLC	Boston (Massachusetts)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Estrellada SA	Montevideo	Uruguay	448,000.00	UYU	Electricity generation from renewable resources	Line-by-line	Enel Green Power Uruguay SA	100.00%	100.00%
Explotaciones Eólicas de Escucha SA	Zaragoza	Spain	3,505,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	70.00%	49.07%
Explotaciones Eólicas El Puerto SA	Teruel	Spain	3,230,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	73.60%	51.59%
Explotaciones Eólicas Saso Plano SA	Zaragoza	Spain	5,488,500.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	65.00%	45.57%
Explotaciones Eólicas Sierra Costera SA	Zaragoza	Spain	8,046,800.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	90.00%	63.09%
Explotaciones Eólicas Sierra La Virgen SA	Zaragoza	Spain	4,200,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	90.00%	63.09%
Florence Hills LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Fotovoltaica Insular SL	Las Palmas de Gran Canaria	Spain	3,008.00	EUR	Photovoltaics	Equity	Endesa Ingeniería SLU	50.00%	35.05%
Fowler Hydro LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Fuentes Renovables de Guatemala SA	Guatemala City	Guatemala	5,000.00	GTQ	Electricity generation from renewable resources	Line-by-line	Renovables de Guatemala SA	40.00%	100.00%
							Enel Green Power Guatemala SA	60.00%	
Fulcrum LLC	Boise (Idaho)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Garob Wind Farm (Pty) Ltd	Gauteng	South Africa	100.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
Gas Atacama Chile SA	Santiago	Chile	589,318,016,243.00	CLP	Electricity generation	Line-by-line	Enel Generación Chile SA	97.37%	37.00%
							Enel Chile SA	2.63%	
Gas y Electricidad Generación SAU	Palma de Mallorca	Spain	213,775,700.00	EUR	Electricity generation	Line-by-line	Endesa Generación SA	100.00%	70.10%
Gasoducto Atacama Argentina SA	Santiago	Chile	208,173,124.00	USD	Natural gas transport	Line-by-line	Gas Atacama Chile SA	99.97%	37.00%
							Enel Chile SA	0.03%	

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Gasoducto Atacama Argentina SA Sucursal Argentina	Buenos Aires	Argentina	-	ARS	Natural gas transport	Line-by-line	Gasoducto Atacama Argentina SA	100.00%	29.70%
Gauley Hydro LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Gauley River Management Corporation	Williston (Vermont)	USA	1.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Gauley River Power Partners LLC	Williston (Vermont)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Generadora de Occidente Ltda	Guatemala City	Guatemala	16,261,697.33	GTQ	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA Enel Green Power Guatemala SA	99.00% 1.00%	100.00%
Generadora Eólica Alto Pacora SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Generadora Estrella Solar SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Generadora Fotovoltaica Chiriquí SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Generadora Montecristo SA	Guatemala City	Guatemala	3,820,000.00	GTQ	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA Enel Green Power Guatemala SA	99.99% 0.01%	100.00%
Generadora Solar Caldera SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Generadora Solar Tolé SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Generalima SA	Lima	Peru	146,534,335.00	PEN	Holding company	Line-by-line	Enel Américas SA	100.00%	51.80%
Generandes Perú SA	Lima	Peru	853,429,020.00	PEN	Holding company	Line-by-line	Enel Américas SA	100.00%	51.80%
Geotérmica del Norte SA	Santiago	Chile	274,945,519,702.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Chile Ltda	81.70%	81.70%
Gibson Bay Wind Farm (RF) (Pty) Ltd	Johannesburg	South Africa	1,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	60.00%	60.00%
Gnl Chile SA	Santiago	Chile	3,026,160.00	USD	Design and LNG supply	Equity	Enel Generación Chile SA	33.33%	12.12%
Goodwell Wind Project LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	Origin Goodwell Holdings LLC	100.00%	50.00%
Goodyear Lake Hydro LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Gorona del Viento El Hierro SA	Valverde de El Hierro	Spain	30,936,736.00	EUR	Development and maintenance of El Hierro generation plant	Equity	Unión Eléctrica de Canarias Generación SAU	23.21%	16.27%
Guadarranque Solar 4 SL Unipersonal	Seville	Spain	3,006.00	EUR	Electricity generation from renewable resources	Line-by-line	Endesa Generación II SA	100.00%	70.10%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
GV Energie Rigenerabili ITAL-RO Srl	Bucharest	Romania	1,145,400.00	RON	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	0.00%	100.00%
							Enel Green Power Romania Srl	100.00%	
Hadley Ridge LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Hastings Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Helio Atacama Nueva SpA	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Chile Ltda	100.00%	99.91%
Hidroeléctrica de Catalunya SL	Barcelona	Spain	126,210.00	EUR	Electricity transmission and distribution	Line-by-line	Endesa Red SA	100.00%	70.10%
Hidroeléctrica de Ourol SL	Lugo	Spain	1,608,200.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	30.00%	21.03%
Hidroeléctrica Don Rafael SA	San José	Costa Rica	10,000.00	CRC	Electricity generation from renewable resources	Line-by-line	Enel Green Power Costa Rica SA	65.00%	65.00%
Hidroeléctrica El Chocón SA	Buenos Aires	Argentina	298,584,050.00	ARS	Electricity generation and sale	Line-by-line	Hidroinvest SA	59.00%	33.84%
							Endesa Argentina SA	6.19%	
							Enel Américas SA	2.48%	
Hidroelectricidad del Pacífico S de RL de Cv	Mexico City	Mexico	30,890,736.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power México S de RL de Cv	99.99%	99.99%
Hidroflamicell SL	Barcelona	Spain	78,120.00	EUR	Electricity distribution and sale	Line-by-line	Hidroeléctrica de Catalunya SL	75.00%	52.58%
Hidroinvest SA	Buenos Aires	Argentina	55,312,093.00	ARS	Holding company	Line-by-line	Enel Américas SA	41.94%	49.75%
							Endesa Argentina SA	54.15%	
Hidromondego - Hidroeléctrica do Mondego Lda	Lisbon	Portugal	3,000.00	EUR	Hydroelectric power	Line-by-line	Endesa Generación Portugal SA	10.00%	70.10%
							Endesa Generación SA	90.00%	
High Shoals LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Highfalls Hydro Company Inc.	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Hispano Generación de Energía Solar SL	Jerez de los Caballeros (Badajoz)	Spain	3,500.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	51.00%	35.75%
Hope Creek LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Hydro Development Group Acquisition LLC	Albany (New York)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Hydro Energies Corporation	Williston (Vermont)	USA	5,000.00	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc.	100.00%	100.00%
Hydrogen Park-Marghera per l'idrogeno Srl	Venice	Italy	245,000.00	EUR	Development of studies and projects for the use of hydrogen	Line-by-line	Enel Produzione SpA	60.00%	60.00%
Hydromac Energy Srl	Rome	Italy	18,000.00	EUR	Holding company	Line-by-line	Enel Green Power SpA	100.00%	100.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
I-EM Srl	Turin	Italy	28,571.43	EUR	Design and development	Equity	Enel Italia Srl	30.00%	30.00%
Ingendesa do Brasil Ltda	Rio de Janeiro	Brazil	500,000.00	BRL	Design, engineering and consulting	Line-by-line	Enel Generación Chile SA Gas Atacama Chile SA	1.00% 99.00%	29.77%
Inkolan Información y Coordinación de obras AIE	Bilbao	Spain	84,140.00	EUR	Information on infrastructure of Inkolan associates	Equity	Endesa Distribución Eléctrica SL	12.50%	8.76%
International Endesa BV	Amsterdam	Netherlands	15,428,520.00	EUR	Holding company	Line-by-line	Endesa SA	100.00%	70.10%
International Multimedia University Srl (in bankruptcy)	Rome	Italy	24,000.00	EUR	Distance learning	-	Enel Italia Srl	13.04%	13.04%
Inversiones Distrilima SA	Lima	Peru	714,233,174.00	PEN	Holding company	Line-by-line	Enel Américas SA	100.00%	51.80%
Inversora Codensa Sas	Bogotá DC	Colombia	5,000,000.00	COP	Electricity transmission and distribution	Line-by-line	Codensa SA ESP	100.00%	25.08%
Inversora Dock Sud SA	Buenos Aires	Argentina	241,490,000.00	ARS	Holding company	Line-by-line	Enel Américas SA	57.14%	29.60%
Isamu Ikeda Energia SA	Rio de Janeiro	Brazil	61,474,475.77	BRL	Electricity generation and sale	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Italgest Energy (Pty) Ltd	Johannesburg	South Africa	1,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
Jack River LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Jessica Mills LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Julia Hills LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Kalenta SA	Maroussi	Greece	4,359,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Solar Energy Srl	100.00%	100.00%
Kavacik Eoliko Enerji Elektrik Üretim ve Ticaret Anonim Şirketi	Istanbul	Turkey	9,000,000.00	TRY	Electricity generation from renewable resources	Line-by-line	Enel Green Power Turkey Enerji Yatirimlari Anonim Şirketi	100.00%	100.00%
Kelley's Falls LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc.	100.00%	100.00%
Kings River Hydro Company Inc.	Wilmington (Delaware)	USA	100.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Kinneytown Hydro Company Inc.	Wilmington (Delaware)	USA	100.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Kirklareli Eoliko Enerji Elektrik Üretim ve Ticaret Anonim Şirketi	Istanbul	Turkey	5,250,000.00	TRY	Electricity generation from renewable resources	Line-by-line	Enel Green Power Turkey Enerji Yatirimlari Anonim Şirketi	100.00%	100.00%
Kongul Enerji Sanayi ve Ticaret Anonim Şirketi	Istanbul	Turkey	125,000,000.00	TRY	Electricity generation from renewable resources	Line-by-line	Enel Green Power Turkey Enerji Yatirimlari Anonim Şirketi	100.00%	100.00%
Kromschroeder SA	Barcelona	Spain	627,126.00	EUR	Services	Equity	Endesa Red SA	29.26%	20.51%
La Pereda CO ₂ AIE	Oviedo	Spain	224,286.00	EUR	Services	Equity	Endesa Generación SA	33.33%	23.36%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
LaChute Hydro Company LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Lake Emily Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Lake Pulaski Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Lawrence Creek Solar LLC	Minnesota	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Lindahl Wind Holdings LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	EGPNA REP Wind Holdings LLC	100.00%	50.00%
Lindahl Wind Project LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	Lindahl Wind Holdings LLC	100.00%	50.00%
Little Elk Wind Holdings LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	100.00%	100.00%
Little Elk Wind Project LLC	Oklahoma City (Oklahoma)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	100.00%	100.00%
Littleville Power Company Inc.	Boston (Massachusetts)	USA	1.00	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc.	100.00%	100.00%
Llano Sánchez Solar Power One SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Llano Sánchez Solar Power Cuatro SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Llano Sánchez Solar Power Tres SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Lower Saranac Hydro Partners LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Lower Saranac Hydro LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Lower Valley LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Lowline Rapids LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Luz Andes Ltda	Santiago	Chile	1,224,348.00	CLP	Electricity and fuel transmission, distribution and sale	Line-by-line	Enel Distribución Chile SA Enel Chile SA	99.90% 0.10%	60.07%
Maicor Wind Srl	Rome	Italy	20,850,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Marte Srl	Rome	Italy	5,100,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Mascoma Hydro Corporation	Concord (New Hampshire)	USA	1.00	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc.	100.00%	100.00%
Mason Mountain Wind Project LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Padoma Wind Power LLC	100.00%	100.00%

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Matrigenix (Pty) Ltd	Houghton	South Africa	1,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
Medidas Ambientales SL	Medina de Pomar (Burgos)	Spain	60,100.00	EUR	Environmental studies	Equity	Nuclenor SA	50.00%	17.53%
Metro Wind LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Mexicana de Hidroelectricidad Mexhidro S de RL de Cv	Mexico City	Mexico	181,728,701.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power México S de RL de Cv	99.99%	99.99%
Mibgas SA	Madrid	Spain	3,000,000.00	EUR	Gas sales	-	Endesa SA	1.35%	0.95%
Mill Shoals Hydro Company I LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Minas de Estercuel SA (in liquidation)	Madrid	Spain	93,160.00	EUR	Mineral deposits	Line-by-line	Minas Gargallo SL (in liquidation)	99.65%	69.79%
Minas Gargallo SL (in liquidation)	Madrid	Spain	150,000.00	EUR	Mineral deposits	Line-by-line	Endesa Generación SA	99.91%	70.04%
Minicentrales del Canal de las Bárdenas AIE	Zaragoza	Spain	1,202,000.00	EUR	Hydroelectric plants	-	Enel Green Power España SL	15.00%	10.52%
Minicentrales del Canal Imperial-Gallur SL	Zaragoza	Spain	1,820,000.00	EUR	Hydroelectric plants	Equity	Enel Green Power España SL	36.50%	25.59%
Mira Energy (Pty) Ltd	Houghton	South Africa	100.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
Missisquoi Associates LLC	Los Angeles (California)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Montrose Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Nevkan Renewables LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Nevkan Inc.	100.00%	100.00%
Newbury Hydro Company LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Held for sale	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Newwind Group Inc.	St. John (Newfoundland)	Canada	578,192.00	CAD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Canada Inc.	100.00%	100.00%
Ngonye Power Company Limited	Lusaka	Zambia	10,000.00	ZMW	Sale of solar panels	Line-by-line	Enel Green Power Africa Srl	80.00%	80.00%
Nojoli Wind Farm (RF) (Pty) Ltd	Johannesburg	South Africa	10,000,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	60.00%	60.00%
North Canal Waterworks	Boston (Massachusetts)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Northwest Hydro LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi West LLC	100.00%	100.00%
Notch Butte Hydro Company Inc.	Wilmington (Delaware)	USA	100.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Nuclenor SA	Burgos	Spain	102,000,000.00	EUR	Nuclear plant	Equity	Endesa Generación SA	50.00%	35.05%
Nueva Marina Real Estate SL	Madrid	Spain	3,200.00	EUR	Real estate	Line-by-line	Endesa Servicios SL	60.00%	42.06%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Nuove Energie Srl	Porto Empedocle	Italy	54,410,000.00	EUR	Construction and management of LNG regasification infrastructure	Line-by-line	Enel Trade SpA	100.00%	100.00%
Nxuba Wind Farm (Pty) Ltd	Gauteng	South Africa	1,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA 2 (Pty) Ltd	100.00%	100.00%
Ochrana A Bezpecnost Se AS	Mochovce	Slovakia	33,193.92	EUR	Security services	Equity	Slovenské elektrárne AS	100.00%	33.00%
OGK-5 Finance LLC	Moscow	Russian Federation	10,000,000.00	RUB	Finance company	Line-by-line	Enel Russia PJSC	100.00%	56.43%
Open Fiber SpA	Milan	Italy	250,000,000.00	EUR	Installation of electronic plant (including maintenance and repair)	Equity	Enel SpA	50.00%	50.00%
Origin Goodwell Holdings LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA Wind Holdings 1 LLC	100.00%	50.00%
Origin Wind Energy LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	Origin Goodwell Holdings LLC	100.00%	50.00%
Osage Wind Holdings LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	50.00%	50.00%
Osage Wind LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Osage Wind Holdings LLC	100.00%	50.00%
Ottauquechee Hydro Company Inc.	Wilmington (Delaware)	USA	100.00	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc.	100.00%	100.00%
Ovacik Eoliko Enerji Elektrik Üretim ve Ticaret Anonim Şirketi	Istanbul	Turkey	11,250,000.00	TRY	Electricity generation from renewable resources	Line-by-line	Enel Green Power Turkey Enerji Yatirimlari Anonim Şirketi	100.00%	100.00%
Oxagesa AIE	Teruel	Spain	6,010.00	EUR	Cogeneration of electricity and heat	Equity	Enel Green Power España SL	33.33%	23.36%
Oyster Bay Wind Farm (Pty) Ltd	Cape Town	South Africa	1,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
P.E. Cote SA	San José	Costa Rica	10,000.00	CRC	Electricity generation from renewable resources	Line-by-line	Enel Green Power Costa Rica SA	65.00%	65.00%
P.V. Huacas SA	San José	Costa Rica	10,000.00	CRC	Electricity generation from renewable resources	Line-by-line	Enel Green Power Costa Rica SA	65.00%	65.00%
Padoma Wind Power LLC	Los Angeles (California)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Palo Alto Farms Wind Project LLC	Dallas (Texas)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	100.00%	100.00%
Pampa Solar Norte Cuatro SpA	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Helio Atacama Nueve SpA	100.00%	99.91%
Pampa Solar Norte Dos SpA	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Helio Atacama Nueve SpA	100.00%	99.91%
Pampa Solar Norte Uno SpA	Santiago	Chile	1,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Helio Atacama Nueve SpA	100.00%	99.91%
Paravento SL	Lugo	Spain	3,006.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	90.00%	63.09%
Parc Eòlic Els Aligars SL	Madrid	Spain	1,313,100.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	30.00%	21.03%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Parc Eòlic La Tossa-La Mola D'en Pascual SL	Madrid	Spain	1,183,100.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	30.00%	21.03%
Parque Eólico A Capelada SL (Sociedad Unipersonal)	Santiago de Compostela	Spain	5,857,586.40	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	100.00%	70.10%
Parque Eólico de Aragón SL	Zaragoza	Spain	601,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	100.00%	70.10%
Parque Eólico Carretera de Arinaga SA	Las Palmas de Gran Canaria	Spain	1,603,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	80.00%	56.08%
Parque Eólico Curva dos Ventos Ltda	Bahia	Brazil	420,000.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	1.00%	100.00%
							Enel Green Power Brasil Participações Ltda	99.00%	
Parque Eólico de Barbanza SA	La Coruña	Spain	3,606,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	75.00%	52.58%
Parque Eólico de Belmonte SA	Madrid	Spain	120,400.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	50.16%	35.16%
Parque Eólico de San Andrés SA	La Coruña	Spain	552,920.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	82.00%	57.48%
Parque Eólico de Santa Lucía SA	Las Palmas de Gran Canaria	Spain	901,500.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	66.33%	46.50%
Parque Eólico Delfina Ltda	Rio de Janeiro	Brazil	6,963,977.00	BRL	Electricity generation from renewable resources	Line-by-line	Enel Green Power Desenvolvimento Ltda	0.01 %	100.00%
							Enel Green Power Brasil Participações Ltda	99.99%	
Parque Eólico Finca de Mogán SA	Las Palmas de Gran Canaria	Spain	3,810,340.00	EUR	Construction and operation of wind plants	Line-by-line	Enel Green Power España SL	90.00%	63.09%
Parque Eólico Montes de las Navas SA	Madrid	Spain	6,540,000.00	EUR	Construction and operation of wind plants	Line-by-line	Enel Green Power España SL	75.50%	52.93%
Parque Eólico Punta de Teno SA		Spain	528,880.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	52.00%	36.45%
Parque Eólico Sierra del Madero SA	Soria	Spain	7,193,970.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	58.00%	40.66%
Parque Eólico Taltal SA	Santiago	Chile	20,878,010,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Latin America Ltda	0.01 %	99.91%
							Enel Green Power Chile Ltda	99.99%	
Parque Eólico Valle de los Vientos SA	Santiago	Chile	566,096,564.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Latin America Ltda	0.01 %	99.91%
							Enel Green Power Chile Ltda	99.99%	

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Parque Salitrillos SA de Cv	Mexico City	Mexico	100.00	MXN	Electricity generation from renewable resources	Line-by-line	Hidroelectricidad del Pacífico S de RL de Cv	1.00%	100.00%
							Enel Green Power México S de RL de Cv	99.00%	
Parque Solar Carrera Pinto SA	Santiago	Chile	10,000,000.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power Chile Ltda	99.00%	98.91%
Parque Talinay Oriente SA	Santiago	Chile	66,092,165,171.00	CLP	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	34.57%	95.43%
							Enel Green Power Chile Ltda	60.92%	
Paynesville Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Pegop - Energia Eléctrica SA	Abrantes	Portugal	50,000.00	EUR	Electricity generation	Equity	Endesa Generación Portugal SA	0.02%	35.05%
							Endesa Generación SA	49.98%	
Pelzer Hydro Company LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Pereda Power SL	La Pereda (Mieres)	Spain	5,000.00	EUR	Development of generation activities	Line-by-line	Endesa Generación II SA	70.00%	49.07%
PH Chucas SA	San José	Costa Rica	100,000.00	CRC	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	22.17%	62.48%
							Enel Green Power Costa Rica SA	40.31%	
PH Don Pedro SA	San José	Costa Rica	100,001.00	CRC	Electricity generation from renewable resources	Line-by-line	Enel Green Power Costa Rica SA	33.44%	33.44%
PH Guacimo SA	San José	Costa Rica	50,000.00	CRC	Electricity generation from renewable resources	Line-by-line	Enel Green Power Costa Rica SA	65.00%	65.00%
PH Río Volcán SA	San José	Costa Rica	100,001.00	CRC	Electricity generation from renewable resources	Line-by-line	Enel Green Power Costa Rica SA	34.32%	34.32%
Pine Island Distributed Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Planta Eólica Europea SA	Seville	Spain	1,198,530.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	56.12%	39.34%
PowerCrop Macchiarreddu Srl	Bologna	Italy	100,000.00	EUR	Electricity generation from renewable resources	Equity	PowerCrop Srl	100.00%	50.00%
PowerCrop Russi Srl	Bologna	Italy	100,000.00	EUR	Electricity generation from renewable resources	Equity	PowerCrop Srl	100.00%	50.00%
PowerCrop Srl	Bologna	Italy	4,000,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power SpA	50.00%	50.00%
Prairie Rose Transmission LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Prairie Rose Wind LLC	100.00%	50.00%
Prairie Rose Wind LLC	New York (New York)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Wind Holdings LLC	100.00%	50.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Primavera Energia SA	Rio de Janeiro	Brazil	36,965,444.64	BRL	Electricity generation and sale	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Productor Regional de Energía Renovable III SA	Valladolid	Spain	88,398.00	EUR	Construction and operation of wind plants	Line-by-line	Enel Green Power España SL	82.89%	58.11%
Productor Regional de Energía Renovable SA	Valladolid	Spain	710,500.00	EUR	Construction and operation of wind plants	Line-by-line	Enel Green Power España SL	85.00%	59.59%
Productora de Energías SA	Barcelona	Spain	30,050.00	EUR	Hydroelectric plants	Equity	Enel Green Power España SL	30.00%	21.03%
Prof-Energo LLC	Sredneuralsk	Russian Federation	10,000.00	RUB	Energy services	Line-by-line	Sanatorium-Preventorium Energetik LLC	100.00%	56.43%
Promociones Energéticas del Bierzo SL	Ponferrada	Spain	12,020.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	100.00%	70.10%
Proveedora de Electricidad de Occidente S de RL de Cv	Mexico City	Mexico	89,708,735.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power México S de RL de Cv	99.99%	99.99%
Proyecto Almería Mediterráneo SA	Madrid	Spain	601,000.00	EUR	Desalinization and water supply	Equity	Endesa SA	45.00%	31.55%
Proyecto Eólico El Pedregal SA	San José	Costa Rica	10,000.00	CRC	Electricity generation from renewable resources	Line-by-line	Enel Green Power Costa Rica SA	65.00%	65.00%
Proyecto Solar Don José SA de Cv	Mexico City	Mexico	100.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power Guatemala SA Enel Green Power México S de RL de Cv	1.00% 99.00%	100.00%
Proyecto Solar Villanueva Tres SA de Cv	Mexico City	Mexico	100.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power Guatemala SA Enel Green Power México S de RL de Cv	1.00% 99.00%	100.00%
Proyectos Universitarios de Energías Renovables SL	Alicante	Spain	180,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	33.33%	23.36%
Proyectos y Soluciones Renovables SAC	Lima	Peru	1,000.00	PEN	Electricity generation	Line-by-line	Enel Green Power Partecipazioni Speciali Srl Enel Green Power Latin America Ltda	99.90% 0.10%	100.00%
PT Bayan Resources Tbk	Jakarta	Indonesia	333,333,350,000.00	IDR	Energy	-	Enel Investment Holding BV	10.00%	10.00%
PT Enel Green Power Optima Way Ratai	Jakarta	Indonesia	10,000,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	90.00%	90.00%
Pulida Energy (RF) (Pty) Ltd	Houghton	South Africa	10,000,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	52.70%	52.70%
Pyrites Hydro LLC	New York (New York)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Quatiara Energia SA	Rio de Janeiro	Brazil	16,566,510.61	BRL	Electricity generation	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Rattlesnake Creek Wind Project LLC	Lincoln (Nebraska)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	100.00%	100.00%
Reaktortest Sro	Trnava	Slovakia	66,389.00	EUR	Nuclear power research	Equity	Slovenské elektrárne AS	49.00%	16.17%
Red Centroamericana de Telecomunicaciones SA	Panama	Panama	2,700,000.00	USD	Telecommunications	-	Enel Iberoamérica Srl	11.11%	11.11%
Renovables de Guatemala SA	Guatemala City	Guatemala	1,924,465,600.00	GTQ	Electricity generation from renewable resources	Line-by-line	Enel Green Power Guatemala SA Enel Green Power SpA	0.01% 99.99%	100.00%
Res Holdings BV	Amsterdam	Netherlands	18,000.00	EUR	Holding company	Equity	Enel Investment Holding BV	49.50%	49.50%
Rock Creek Hydro LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Rock Creek Wind Project LLC	Clayton (California)	USA	-	USD	Holding company	Line-by-line	Enel Kansas LLC	100.00%	100.00%
Rocky Caney Wind LLC	New York (New York)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Kansas LLC	100.00%	100.00%
Rocky Ridge Wind Project LLC	Oklahoma City (Oklahoma)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Rocky Caney Wind LLC	100.00%	100.00%
RusEnergoSbyt LLC	Moscow	Russian Federation	2,760,000.00	RUB	Electricity trading	Equity	Res Holdings BV	100.00%	49.50%
RusEnergoSbyt Siberia LLC	Krasnoyarskiy Kray	Russian Federation	4,600,000.00	RUB	Electricity sales	Equity	RusEnergoSbyt LLC	50.00%	24.75%
RusEnergoSbyt Yaroslavl	Yaroslavl	Russian Federation	100,000.00	RUB	Electricity sales	Equity	RusEnergoSbyt LLC	50.00%	24.75%
Ruthton Ridge LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Sacme SA	Buenos Aires	Argentina	12,000.00	ARS	Monitoring of electricity system	Equity	Empresa Distribuidora Sur SA	50.00%	18.68%
Salmon Falls Hydro LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc.	100.00%	100.00%
Salto de San Rafael SL	Seville	Spain	461,410.00	EUR	Hydroelectric plants	Equity	Enel Green Power España SL	50.00%	35.05%
San Juan Mesa Wind Project II LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Padoma Wind Power LLC	100.00%	100.00%
Sanatorium-Preventorium Energetik LLC	Nevinnomyssk	Russian Federation	10,571,300.00	RUB	Energy services	Line-by-line	Enel Russia PJSC OGK-5 Finance LLC	99.99% 0.01%	56.43%
Santo Rostro Cogeneración SA (in liquidation)	Seville	Spain	207,000.00	EUR	Cogeneration of electricity and heat	-	Enel Green Power España SL	45.00%	31.55%
Se Hazelton A.LLC	Los Angeles (California)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Se Predaj Sro	Bratislava	Slovakia	4,505,000.00	EUR	Electricity supply	Equity	Slovenské elektrárne AS	100.00%	33.00%
SE Služby inžinierskych stavieb Sro	Kalná nad Hronom	Slovakia	200,000.00	EUR	Services	Equity	Slovenské elektrárne AS	100.00%	33.00%
Serra do Moncoso Cambas SL	La Coruña	Spain	3,125.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	100.00%	70.10%
Servicio de Operación y Mantenimiento para Energías Renovables S de RL de Cv	Mexico City	Mexico	3,000.00	MXN	Electricity generation from renewable resources	Line-by-line	Energía Nueva Energía Limpia México S de RL de Cv Enel Green Power Guatemala SA	0.01 % 0.01 %	0.02%
Servicios Informáticos e Inmobiliarios Ltda	Santiago	Chile	61,948,673,981.00	CLP	ICT services	Line-by-line	Enel Distribución Chile SA Enel Chile SA	0.10% 99.90%	60.62%
Shield Energy Storage Project LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	EGP Energy Storage Holdings LLC	100.00%	100.00%
SIET - Società Informazioni Esperienze Termoidrauliche SpA	Piacenza	Italy	697,820.00	EUR	Analysis, design and research in thermal technology	Equity	Enel.Newhydro Srl	41.55%	41.55%
Sistema Eléctrico de Conexión Montes Orientales SL	Granada	Spain	44,900.00	EUR	Electricity generation	Equity	Enel Green Power España SL	16.70%	11.71%
Sistema Eléctrico de Conexión Valcaire SL	Madrid	Spain	175,200.00	EUR	Electricity generation	Equity	Enel Green Power España SL	28.13%	19.72%
Sistemas Energéticos Mañón Ortigueira SA	La Coruña	Spain	2,007,750.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	96.00%	67.30%
Slate Creek Hydro Associates LP	Los Angeles (California)	USA	-	USD	Electricity generation from renewable resources	Equity	Slate Creek Hydro Company LLC	95.00%	47.50%
Slate Creek Hydro Company LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Slovak Power Holding BV	Amsterdam	Netherlands	25,010,000.00	EUR	Financial holding company	Equity	Enel Produzione SpA	50.00%	50.00%
Slovenské elektrárne Česká republika Sro	Prague	Czech Republic	3,000.00	CZK	Electricity supply	Equity	Slovenské elektrárne AS	100.00%	33.00%
Slovenské elektrárne AS	Bratislava	Slovakia	1,269,295,724.66	EUR	Electricity generation	Equity	Slovak Power Holding BV	66.00%	33.00%
Smart P@Per SpA	Potenza	Italy	2,184,000.00	EUR	Services	-	Servizio Elettrico Nazionale SpA	10.00%	10.00%
Smoky Hills Wind Farm LLC	Topeka (Kansas)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Texkan Wind LLC	100.00%	100.00%
Smoky Hills Wind Project II LLC	Topeka (Kansas)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Nevkan Renewables LLC	100.00%	100.00%
Snyder Wind Farm LLC	Dallas (Texas)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Texkan Wind LLC	100.00%	100.00%
Socibe Energia SA	Rio de Janeiro	Brazil	19,969,032.25	BRL	Electricity generation and sale	Line-by-line	Enel Green Power Brasil Participações Ltda	100.00%	100.00%
Sociedad Agrícola de Cameros Ltda	Santiago	Chile	5,738,046,495.00	CLP	Financial investment	Line-by-line	Servicios Informáticos e Inmobiliarios Ltda	57.50%	34.86%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Sociedad Eólica de Andalucía SA	Seville	Spain	4,507,590.78	EUR	Electricity generation	Line-by-line	Enel Green Power España SL	64.74%	45.38%
Sociedad Eólica El Puntal SL	Seville	Spain	1,643,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	50.00%	35.05%
Sociedad Eólica Los Lances SA	Cadiz	Spain	2,404,048.42	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power España SL	60.00%	42.06%
Sociedad Portuaria Central Cartagena SA	Bogotá DC	Colombia	5,800,000.00	COP	Construction and operation of port infrastructure	Line-by-line	Emgesa SA ESP Inversora	94.95%	25.08%
							Codensa Sas	4.90%	
Sol de Media Noche Fotovoltaica SL	Las Palmas de Gran Canaria	Spain	3,008.00	EUR	Photovoltaics	Equity	Endesa Ingeniería SLU	50.00%	35.05%
Sol Real Istmo SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Sol Real Uno SA	Panama	Panama	10,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power Panama SA	100.00%	100.00%
Soliloquoy Ridge LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Somersworth Hydro Company Inc.	Wilmington (Delaware)	USA	100.00	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc.	100.00%	100.00%
Sona Enerji Üretim Anonim Şirketi	Istanbul	Turkey	50,000.00	TRY	Electricity generation from renewable resources	Line-by-line	Enel Green Power Turkey Enerji Yatırımları Anonim Şirketi	100.00%	100.00%
Sotavento Galicia SA	Santiago de Compostela	Spain	601,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	36.00%	25.24%
Southern Cone Power Argentina SA	Buenos Aires	Argentina	19,874,798.00	ARS	Holding company	Line-by-line	Gas Atacama Chile SA	1.97%	36.38%
							Enel Américas SA	98.03%	
Southwest Transmission LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Spartan Hills LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Stipa Nayaá SA de Cv	Colonia Cuauhtémoc	Mexico	1,811,016,348.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power Partecipazioni Speciali Srl	40.16%	95.37%
							Enel Green Power México S de RL de Cv	55.21%	
Sublunary Trading (RF) (Pty) Ltd	Johannesburg	South Africa	10,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Solar Energy Srl	57.00%	57.00%
Suministradora Eléctrica de Cádiz SA	Cadiz	Spain	12,020,240.00	EUR	Electricity distribution and supply	Equity	Endesa Red SA	33.50%	23.48%
Suministro de Luz y Fuerza SL	Torroella de Montgri (Girona)	Spain	2,800,000.00	EUR	Electricity distribution	Line-by-line	Hidroeléctrica de Catalunya SL	60.00%	42.06%
Summit Energy Storage Inc.	Wilmington (Delaware)	USA	2,050,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	75.00%	75.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Sun River LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Sweetwater Hydroelectric LLC	Concord (New Hampshire)	USA	-	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc.	100.00%	100.00%
Taranto Solar Srl	Rome	Italy	100,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel F2i Solare Italia SpA	100.00%	50.00%
Tecnatom SA	Madrid	Spain	4,025,700.00	EUR	Electricity generation and services	Equity	Endesa Generación SA	45.00%	31.55%
Tecnoquat SA	Guatemala City	Guatemala	30,948,000.00	GTQ	Electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	75.00%	75.00%
Tejo Energia Produção e Distribuição de Energia Eléctrica SA	Paço d'Arcos (Oeiras)	Portugal	5,025,000.00	EUR	Electricity generation, transmission and distribution	Equity	Endesa Generación SA	43.75%	30.67%
Teploprogress OJSC	Sredneursk	Russian Federation	128,000,000.00	RUB	Electricity sales	Line-by-line	OGK-5 Finance LLC	60.00%	33.86%
Termoeléctrica José de San Martín SA	Buenos Aires	Argentina	500,000.00	ARS	Construction and operation of a combined-cycle plant	Equity	Central Dock Sud SA	5.32%	9.64%
							Central Costanera SA	5.51%	
							Hidroeléctrica El Chocón SA	18.85%	
Termoeléctrica Manuel Belgrano SA	Buenos Aires	Argentina	500,000.00	ARS	Construction and management of a combined-cycle plant	Equity	Hidroeléctrica El Chocón SA	18.85%	9.64%
							Central Costanera SA	5.51%	
							Central Dock Sud SA	5.32%	
Termotec Energía AIE (in liquidation)	Valencia	Spain	481,000.00	EUR	Cogeneration of electricity and heat	-	Enel Green Power España SL	45.00%	31.55%
Texkan Wind LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Texkan Inc.	100.00%	100.00%
Tko Power LLC	Los Angeles (California)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Tobivox (RF) (Pty) Ltd	Houghton	South Africa	10,000,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	60.00%	60.00%
Toledo Pv AEIE	Madrid	Spain	26,890.00	EUR	Photovoltaic plants	Equity	Enel Green Power España SL	33.33%	23.36%
Tradewind Energy Inc.	Wilmington (Delaware)	USA	200,000.00	USD	Electricity generation from renewable resources	Equity	Enel Kansas LLC	19.90%	19.90%
Transmisora de Energía Renovable SA	Guatemala City	Guatemala	233,561,800.00	GTQ	Electricity generation from renewable resources	Line-by-line	Enel Green Power Guatemala SA	0.00%	100.00%
							Enel Green Power SpA	100.00%	
Transmisora Eléctrica de Quillota Ltda	Santiago	Chile	440,644,600.00	CLP	Electricity transmission and distribution	Equity	Gas Atacama Chile SA	50.00%	18.50%
Transportadora de Energía SA	Buenos Aires	Argentina	100,000.00	ARS	Electricity generation, transmission and distribution	Line-by-line	Enel Cien SA	100.00%	51.46%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Transportes y Distribuciones Eléctricas SA	Olot (Girona)	Spain	72,120.00	EUR	Electricity transmission	Line-by-line	Endesa Distribución Eléctrica SL	73.33%	51.41%
Triton Power Company	New York (New York)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Highfalls Hydro Company Inc. Enel Green Power North America Inc.	98.00% 2.00%	100.00%
Tsar Nicholas LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Twin Falls Hydro Associates	Seattle (Washington)	USA	-	USD	Electricity generation from renewable resources	Equity	Twin Falls Hydro Company LLC	99.51%	49.76%
Twin Falls Hydro Company LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Equity	EGPNA REP Hydro Holdings LLC	100.00%	50.00%
Twin Lake Hills LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
Twin Saranac Holdings LLC	Wilmington (Delaware)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Ufeyys SL (in liquidation)	Aranjuez	Spain	304,150.00	EUR	Electricity generation from renewable resources	-	Enel Green Power España SL	40.00%	28.04%
Ukuqala Solar (Pty) Ltd	Johannesburg	South Africa	1,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
Unión Eléctrica de Canarias Generación SAU	Las Palmas de Gran Canaria	Spain	190,171,520.00	EUR	Electricity generation	Line-by-line	Endesa Generación SA	100.00%	70.10%
Upington Solar (Pty) Ltd	Johannesburg	South Africa	1,000.00	ZAR	Electricity generation from renewable resources	Line-by-line	Enel Green Power RSA (Pty) Ltd	100.00%	100.00%
Ustav Jaderného Výzkumu Rez AS	Rez	Czech Republic	524,139,000.00	CZK	Nuclear power research and development	Equity	Slovenské elektrárne AS	27.77%	9.17%
Vektör Enerji Üretim Anonim Şirketi	Istanbul	Turkey	3,500,000.00	TRY	Plant construction and electricity generation from renewable resources	Line-by-line	Enel Green Power SpA	100.00%	100.00%
Vientos del Altiplano S de RL de Cv	Mexico City	Mexico	751,626,078.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power México S de RL de Cv Hidroelectricidad del Pacifico S de RL de Cv	99.99% 0.01%	100.00%
Villanueva Solar SA de Cv	Mexico City	Mexico	100.00	MXN	Electricity generation from renewable resources	Line-by-line	Enel Green Power Guatemala SA Enel Green Power México S de RL de Cv	1.00% 99.00%	100.00%
Viruleiros SL	Santiago de Compostela	Spain	160,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power España SL	67.00%	46.97%
Walden LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Waseca Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Weber Energy Storage Project LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	EGP Energy Storage Holdings LLC	100.00%	100.00%
West Faribault Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
West Hopkinton Hydro LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Held for sale	Enel Green Power North America Inc.	100.00%	100.00%
West Waconia Solar LLC	Delaware	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Aurora Distributed Solar LLC	100.00%	100.00%
Western New York Wind Corporation	Albany (New York)	USA	300.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
White Current Corporation	Vermont	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Willimantic Power Corporation	Hartford (Connecticut)	USA	1,000.00	USD	Electricity generation from renewable resources	Line-by-line	Enel Green Power North America Inc.	100.00%	100.00%
Wind Park of Koryfao SA	Maroussi	Greece	60,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Hellas SA	100.00%	100.00%
Wind Parks Anatolis - Prinias SA	Maroussi	Greece	1,158,188.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Hellas SA	100.00%	100.00%
Wind Parks of Bolibas SA	Maroussi	Greece	551,500.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Distomos SA	Maroussi	Greece	556,500.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Folia SA	Maroussi	Greece	424,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Gagari SA	Maroussi	Greece	389,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Goraki SA	Maroussi	Greece	551,500.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Gourles SA	Maroussi	Greece	555,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Kafoutsi SA	Maroussi	Greece	551,500.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Katharas SA	Maroussi	Greece	718,648.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Hellas SA	100.00%	100.00%
Wind Parks of Kerasias SA	Maroussi	Greece	885,990.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Hellas SA	100.00%	100.00%
Wind Parks of Milias SA	Maroussi	Greece	984,774.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Hellas SA	100.00%	100.00%
Wind Parks of Mitikas SA	Maroussi	Greece	722,639.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Hellas SA	100.00%	100.00%
Wind Parks of Paliopirgos SA	Maroussi	Greece	200,000.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Hellas SA	80.00%	80.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
Wind Parks of Petalo SA	Maroussi	Greece	575,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Platanos SA	Maroussi	Greece	575,467.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Hellas SA	100.00%	100.00%
Wind Parks of Skoubi SA	Maroussi	Greece	472,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Spilias SA	Maroussi	Greece	797,490.00	EUR	Electricity generation from renewable resources	Line-by-line	Enel Green Power Hellas SA	100.00%	100.00%
Wind Parks of Strouboulas SA	Maroussi	Greece	576,500.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Trikorfo SA	Maroussi	Greece	260,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	29.25%	29.25%
Wind Parks of Vitalio SA	Maroussi	Greece	361,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Wind Parks of Vourlas SA	Maroussi	Greece	554,000.00	EUR	Electricity generation from renewable resources	Equity	Enel Green Power Hellas SA	30.00%	30.00%
Winter's Spawn LLC	Minneapolis (Minnesota)	USA	-	USD	Electricity generation from renewable resources	Line-by-line	Chi Minnesota Wind LLC	51.00%	51.00%
WP Bulgaria 1 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 10 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 11 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 12 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 13 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 14 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 15 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 19 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 21 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 26 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 3 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 6 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%

Company name	Headquarters	Country	Share capital	Currency	Activity	Consolidation method	Held by	% holding	Group % holding
WP Bulgaria 8 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
WP Bulgaria 9 EOOD	Sofia	Bulgaria	5,000.00	BGN	Plant construction, operation and maintenance	Line-by-line	Enel Green Power Bulgaria EAD	100.00%	100.00%
Yacylec SA	Buenos Aires	Argentina	20,000,000.00	ARS	Electricity transmission	Equity	Enel Américas SA	22.22%	11.51%
Yedesa-Cogeneración SA (in liquidation)	Almería	Spain	234,394.72	EUR	Cogeneration of electricity and heat	-	Enel Green Power España SL	40.00%	28.04%



07_Corporate governance



Report on corporate governance and ownership structure

The corporate governance structure of Enel SpA complies with the principles set forth in the edition of the Corporate Governance Code for Listed Companies ⁽¹⁾ most recently amended in July 2015, which has been 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.

The corporate governance system adopted by Enel and the 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.

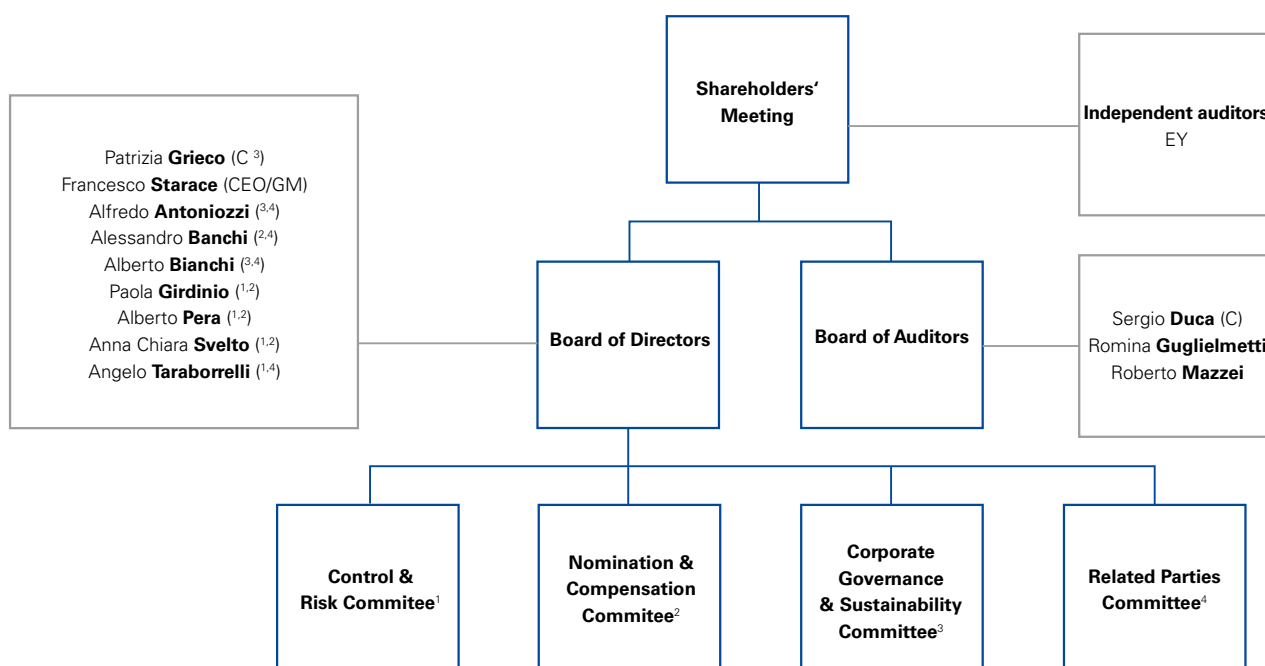
In compliance with the provisions of Italian law governing companies with listed shares, the Company's organization is characterized by:

- > a Board of Directors charged with managing the Company;
- > a Board of Auditors charged with monitoring: (i) compliance with the law and the bylaws, and with the principles of sound administration in the performance of company business; (ii) the financial reporting process, as well as the ade-

quacy of the organizational structure, the internal control system and the administrative-accounting system of the Company; (iii) the statutory auditing of the annual accounts and the consolidated accounts, as well as the independence of the statutory audit firm; and (iv) the manner in which the corporate governance rules set out in the Corporate Governance Code are actually implemented;

- > a Shareholders' Meeting, which is competent to take decisions concerning, among other issues – in ordinary or extraordinary session: (i) the appointment and termination of members of the Board of Directors and the Board of Auditors and their compensation and responsibilities; (ii) the approval of the financial statements and allocation of net income; (iii) the purchase and sale of treasury shares; (iv) stock-based compensation plans; (v) amendments of the bylaws; and (vi) the issue of convertible bonds.

The statutory auditing of the accounts is performed by a specialized firm entered in the appropriate official register. It was engaged by the Shareholders' Meeting on the basis of a reasoned proposal of the Board of Auditors.



For more detailed information on the corporate governance system, please see the Report on Corporate Governance and Ownership Structure of Enel, which has been published on the Company's website (www.enel.com, in the "Governance" section).

(1) The current edition of the Code is available on the website of Borsa Italiana (<http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.en.html>).



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