Annual Report of Enel Finance International N.V. at December 31, 2016

Contents

Director’s report

General information

The Management of the Company hereby presents its financial statements for the financial year ended on 31 December 2016.

Enel Finance International N.V. ("the Company") is a public company with limited liability, where 100% of the shares are held by Enel S.p.A., the ultimate parent company, having its seat in Rome, Italy. The Company operates as a financing company for the Enel Group, raising funds through bond issuances, loans and other facilities and on turn lending the funds so raised to the companies belonging to the Enel Group.

Significant events in 2016

Funding operations

Euro Medium Term Note Programme

On 27 September 2016 the Board of Directors approved the update of the Euro 35,000 million EMTN Programme up to Euro 35.000 million, pursuant to which the Company and Enel S.p.A. (the Guarantor) may issue new notes also in the form of green bonds for a maximum amount equal to Euro 3,000 million. Proceeds of such green bond 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). First placement was made in January 2017.

Liability Management Programme

On 1 June 2016 the Company following a nonbinding public exchange offer purchased and subsequently cancel notes under seven bonds issued by EFI and guaranteed by Enel in the total amount of 1,074 Million. The consideration for the purchase was represented by (i) senior fixed-rate notes with a minimum lot size of €100,000 (and multiples of €1,000) issued by the company under the Global Medium-Term Notes Program and guaranteed by Enel S.p.A, in the principal amount of €1,257 million and (ii) cash in the amount of €115 million. The new notes, which EFI issued as part of the exchange offer under the Global Medium-Term Notes Program with an Enel guarantee, bear an interest rate of 1.375% and mature on 1 June, 2026.

The transaction was carried out in order to seize any opportunities deriving by financial market and acting in line with the Group's long-term strategy with the aim to provide for a long-term debt restructuring related to bonds issued by the Company and placed with institutional investors.

Bond issued by Enel Investment Holding B.V.

On 3 October 2016, following the Extraordinary Resolution adopted by the Adjourned Meeting of bondholders of Euro 300 million 5,25% notes, the Company and Enel Investment Holding B.V signed the Deed of Substitution of in favor of Enel Finance International N.V.

Lending Operations

Intercompany financial operations

During the year, Company resolved to enter as lender into several new intercompany financial agreements to support mainly the growth of the investments in the renewable energy sector and in the gas upstream business line.

On 28 April 2016 the Company accepted an early repayment of loan granted to Enel Iberoamerica SA on 1 December 2009 in amount of Euro 600 million.

Please see a disclosure of short-term financial instruments granted to Enel Group Companies in the note 5 of Financial Statements.

Demerger of Enel Green Power Internatinal B.V.

On 27 May 2016 the Board of Directors of Enel International N.V. approved the demerger proposal intend to transfer certain assets and liabilities of Enel Green Power International B.V. to Enel Finance International N.V. On 24 October 2016 the legal demerger was executed.

The financial information and transactions relating to the part of the assets and liabilities of Enel Green Power International B.V. that passed to the Company were accounted for based on annual report for 2015. The Demerger is considered a "business combination involving entities or businesses under common control", it is outside the scope of application of IFRS 3 and IFRIC 17. It is accordingly been accounted for in financial statements without adjusting the carry amounts of assets adn liabilities.

At the date of demerger proposal, the value of demerged assets and liabilities totaled Euro 983 million of which assets totaled to Euro 5,207million and liabilities totals to Euro 4,224 million.

The difference in the amount of assets and liabilities occurred between demerger balance sheet proposal at 26 May 2016 and date of effectiveness of the demerger itself, 24 October 2016, was defined in amount of Euro 204 million and were recognized as account receivables.

BEG litigation

Following an arbitration proceeding initiated by BEG SpA. in Italy, Enelpower obtained a ruling in its favour in 2002, which was upheld by the Court of Cassation in 2010, in which the claim with regard to an alleged breach by Enelpower of the agreement concerning the construction of a hydroelectric power station in Albania was entirely rejected. Subsequently, BEG, acting through its subsidiary Albania BEG Ambient Shpk, filed an action against Enelpower and Enel SpA in Albania concerning the matter, obtaining by the Tirana District Court a ruling, upheld by the Albanian Supreme Court of Appeal, ordering Enelpower and Enel SpA to pay tortious damages of about Euro 25 million for 2004 as well as an unspecified amount of tortious damages for the subsequent years. Following the ruling, Albania BEG Ambient Shpk claimed a payment of more than Euro 430 million. The European Court of Human Rights - to which Enelpower SpA and Enel SpA filed appeal for violation of the right to a fair trial and the rule of law, asking the Court to order the Republic of Albania to pay damages - dismissed the action as inadmissible. The order has been taken without examination or assessment of the merits of the case.

It has been terminated the proceedings regarding the suit lodged by Enelpower and Enel SpA with the Court of Rome asking the Court to ascertain the liability of BEG SpA. for having evaded the arbitration ruling issued in Italy in favor of Enelpower, through the legal action taken by Albania BEG Ambient Shpk in Albania. With this action, Enelpower and Enel have asked the Court to find BEG SpA. liable and order it to pay damages in the amount that one or the other could be required to pay to Albania BEG Ambient Shpk in the event of the enforcement of the judgment issued by the Albanian courts.

By judgment dated 16 June 2015, Court of Rome declared the lack of legitimacy of BEG SpA as well as inadmissibility of the claim for lack of legitimacy of Enel SpA and Enelpower, since the Albanian ruling has not yet been declared enforceable in any country, with compensation costs. Enel SpA and Enel Power SpA have appealed against this judgment at first instance in front of the Court of Appeal of Rome, requesting a complete revision of the judgment. The hearing is scheduled on 14 November 2018.

On 5 November 2016, Enel SpA and Enelpower SpA brought an action before the Albanian Supreme Court in order to revise the ruling rendered by the Tirana District Court on 24 March, 2009.

The actions brought by Albania BEG Ambient Shpk in order to seek recognition of the decision rendered by the Albanian District Court of Tirana on 24 March, 2009

1) France

In February 2012, Albania BEG Ambient Shpk filed an action against Enel and Enelpower at the Tribunal de Grande Instance in Paris in order to declare the ruling of the Albanian court enforceable in France. Enel and Enelpower have challenged the claim. The proceeding is ongoing. 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 block any receivables of Enel SpA in respect of Enel France.

2) State of New York

Albania BEG Ambient Shpk commenced in March 2014 an action against Enel SpA and Enelpower SpA before the Supreme Court of the State of New York seeking recognition and enforcement of the Albanian judgment in the State of New York in the alleged amount of USD 597,493,543. Enel SpA and Enelpower SpA believe plaintiff's claims to be improper and without merit, and have contested all aspects of the plaintiff's case and defend their interests vigorously in this matter.

On 22 April 2014, upon the motion of Enel and Enelpower, the judge vacated a previously entered temporary restraining order that restricted Enel's and Enelpower's transfer of certain assets up to the amount of judgment sought.

On 27 April 2015, Enel SpA and Enel Power SpA asked the trial to be remitted by the Court of the State of New York to the Federal Court. By decision of 10 March 2016, the Federal Court remanded the case before the New York Court and the proceedings is ongoing. Enel SpA and Enel Power SpA filed an appeal against the ruling that had rejected the objection on the lack of jurisdiction of the Court of the State of New York. The hearing was held on 14 February, 2017 and the related decision has to be rendered.

3) Holland

In June 2014, Albania BEG Ambient Shpk obtained a conservatory attachment ex parte interim from the Hague Tribunal of sums up to 440 million and the seizure of the shares of two Dutch subsidiaries Enel Investment Holding B.V. and Enel Finance International N.V..

Enel S.p.A. and Enelpower contested this initiative and on 1 July 2014, the Dutch court - upholding the reasons Enel and Enelpower – i) provisionally estimates Albania BEG Ambient Shpk's claim (in regard to which the judge in summary proceedings of this district court granted leave for a prejudgment attachment to be levied to secure recovery on 2 June 2014), further at Euro 25,188,500; ii) lift all the attachments and garnishment as soon as Enel provides Albania BEG Ambient with a bank guarantee for Euro 25,188,500. Enel and Enelpower have appealed such decision.

Albania BEG Ambient Shpk filed a second ex parte attachment request on 3 July 2014. Following the hearing held on 28 August 2014, on 18 September 2014, the court of the Hague has granted leave for a prejudgment attachment to be levied for Euro 425 million. Enel and Enelpower have appealed this decision. The Court of Appeal of The Hague, by decision of 9 February 2016, upheld the appeal ordering to lift all the protective attachments after Enel provides a bank guarantee in the amount of Euro 440 million and Albania BEG Ambient Shpk provides a counter-guarantee of Euro 50 million (estimated value of the loss sustained as a consequence of attachments including the charges of the bank guarantee). On 30 March 2016, Enel posted a bank guarantee, and the conservatory attachments levied on 6 June 2014 and 19 September 2014 were lifted. Albania BEG Ambient Shpk did not post a counter guarantee by 20 April 2016 Albania BEG Ambient Shpk has appealed the decision of the Court of Appeal of The Hague dated 9 February 2016 before Supreme Court and Enel and Enelpower have appeared in the proceedings on 20 May 2016. The hearing has not been scheduled yet.

At the end of July 2014, Albania BEG Ambient Shpk started a proceeding before the District Court of Amsterdam to seek recognition of the Albanian ruling in the Netherlands. The last hearing of the proceedings was held in the end of January 2016. With judgment served on 29 June 2016 the Amsterdam District Court: i) has recognized the Albanian judgment in the Netherlands ii) has ordered Enel and EnelPower to pay 433,091,870.00 Euros, as well as costs 60.673,78 Euros. The District Court has denied Albania BEG Ambient Shpk's other claims. Furthermore, although Albania BEG Ambient Shpk had requested the District Court to declare its decision provisionally enforceable, the District Court has denied this request.

Enel has filed a notice of appeal against the Judgment on 29 June 2016. In the appeal, the Amsterdam Court of Appeal will undertake a full de novo evaluation of the entire case, and will rehear the case as a whole. Later on, on 27 September 2016, Albania BEG Ambient Shpk also filed a notice of appeal against the ruling of the Court dated 29 June 2016. The Court of Appeal of Amsterdam will render a decision on the request for joinder of the two proceedings of appeal pending before the same Court and currently at a preliminary stage.

On 14 July 2016 Albania BEG Ambient Shpk served conservatory third party attachments ex parte of sums up to 440mn€ and the seizure of the shares of three Dutch subsidiaries Enel Investment Holding B.V., Enel Finance International N.V. and Enel Green Power International B.V.. Enel appealed these precautionary measures. On August 26, 2016 the Court of Amsterdam stated that all the attachment proceedings rendered by 2014 and 2016 will be revoked in case Albania BEG Ambient Shpk will not release a bank guarantee in favor of Enel and Enelpower with an amount of € 7 million on 21 October 2016. Albania BEG Ambient Shpk did not lifted such guarantee and, therefore, all the conservatory attachments on the assets of Enel and Enelpower in the Netherlands have been released and they are not pending anymore since 21 October 2016. Albania BEG Ambient Shpk has filed a notice of appeal against the ruling of the District Court of Amsterdam dated 26 August 2016, but such proceedings has been stayed in order to wait for the decision of the Supreme Court of Amsterdam on the ruling dated 9 February 2016 in the related abovementioned judgment.

4) Luxembourg and Ireland

Albania BEG Ambient Shpk has also initiated the procedure for the enforcement of the judgment of the Court of Tirana at Luxembourg and in Ireland. In their defence Enel SpA and Enelpower challenged all requests of Albania BEG Ambient Shpk. (and, in Ireland, the jurisdiction of the Irish courts). On 8 March 2016 the Irish Court by its decision admitted the jurisdiction challenge raised by Enel Spa and Enelpower SpA pronouncing the lack of jurisdiction in Ireland. In Luxembourg, at the initiative of Albania BEG Ambient Shpk, JP Morgan Luxembourg was served with attachments of receivables regarding any potential credit of Enel SpA. The proceedings are still ongoing and Enel Spa and

Enelpower SpA are contesting the claims presented by Albania Beg Ambient Shpk. The Court has made no decision so far.

Overview of the Company's performance and financial position

Analysis of the Company financial position

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Net non-current assets:			
- non-current financial assets	759	1,395	(636)
- non-current financial liabilities	(702)	(68)	(634)
Total net non-current assets	**57**	**1,327**	**(1,270)**
Net current assets:			
- net tax receivable/ (payable)	-	9	(9)
- current financial assets	547	210	337
-other current activities	212	3	209
- current financial liabilities	(391)	(422)	31
- other current liabilities	(2)	(1)	(1)
Total net current assets	**366**	**(201)**	**567**
Gross capital employed	**423**	**1,126**	**(703)**
Sundry provisions:			
-deferred tax assets/ (liabilities)	293	123	170
Total provisions	**293**	**123**	**170**
Net Capital Employed	**716**	**1,249**	**(533)**
Total Shareholders' Equity	**2,004**	**1,486**	**518**
Net financial debt	**(1,288)**	**(237)**	**(1,051)**

The net non-current assets/(liabilities), at 31 December 2016, decreased by Euro 1,270 million compared to 31 December 2015. The variation refers essentially to the decrease of non-current derivative asset (Euro 626 million), to the increase of non-current derivative liabilities (Euro 634 million) and decrease of financial prepaid expenses (Euro 10 million). For further details please refer to paragraph "4 Non-current financial assets".

Net current assets/(liabilities) totaled Euro 366 million with an increase of Euro 567 million compared to 31 December 2015. The variation is mainly due to the increase of current derivatives fair value (Euro 339 million) and increase of receivables arose from Enel Green Power International B.V. demerger (Euro 203 million) and decrease of interest payables (Euro 41 million). Such increase was partly offset by decrease of interest receivabes (Euro 23 million).

Net tax receivables/payables came to zero mainly due to fiscal unity formed with Enel Investmet Holding B.V.

Deferred taxes increased by Euro 170 million and were recognized in respect of temporary differences devoted to cash flow hedge transaction accrued directly in other comprehensive income.

Net capital employed amounted 716 million at 31 December 2016, down Euro 533 million compared to the same period of 2015. The variation is due to the increase of the Net Financial Debt (Euro 1,051 million) partly offset by increase of shareholders' equity (Euro 518 million).

The debt-to-equity ratio at 31 December 2016 came to a negative 64% (negative 16% at 31 December 2015).

Net financial debt

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Long-term debt:			
- bonds	16,099	18,137	(2,038)
- debt assumed and loans from Group companies	-	297	(297)
Long-term debt	*16,099*	*18,434*	*(2,335)*
- loans to Group companies	(19,152)	(20,262)	1,110
Long term financial receivables	*(19,152)*	*(20,262)*	*1,110*
Net long-term financial debt	**(3,053)**	**(1,828)**	**(1,225)**
Short-term debt/(liquidity):			
- bonds (short-term portion)	2,058	1,080	978
- l/t receivables due from Group companies (short-term portion)	(77)		(77)
Current amount of long-termt net financial debt	*1,981*	*1,080*	*901*
- commercial paper	2,127	97	2,030
- short-term loans from Group companies	5,070	5,878	(808)
Short-term loans	*7,197*	*5,975*	*1,222*
- short-term financial receivables due from Group companies	(5,219)	(3,805)	(1,414)
- other sundry receivables	(6)	(12)	6
- financial Service Agreement with Enel S.p.A.	(2,096)	(1,046)	(1,050)
- cash and cash equivalents	(92)	(601)	509
Cash and cash equivalents and short-term financial receivables	*(7,413)*	*(5,464)*	*(1,949)*
Net short-term financial debt	**1,765**	**1,591**	**174**
NET FINANCIAL DEBT	**(1,288)**	**(237)**	**(1,051)**

Net financial debt amounting to negative Euro 1,288 million at 31 December 2016 showed a sharp decrease (Euro 1,051 million) compared with the corresponding period of last year.

Net long-term financial debt stood at negative Euro 3,053 million, decreased by Euro 1,225 million principally as a result of:

- reclassification due to at maturity 2016 within the current financial liabilities (Euro 2,058 million),
- amortised costs (Euro 53 million)
- and positive foreign exchange effect (Euro 241 million) on the outstanding bonds denominated in non-Euro currencies
- acquisition of financial debt as a result of the legal demerger of Enel Green Power International B.V. (Euro 191 million).

The decrease was partly offset early repayment of loans by Enel IberoAmerica S.A. (Euro 600 million) and reclassification to short-term assets loan granted to Enel Global Trading S.p.A. (Euro 700 million) expired in 2017 and increase of net debt due to exchange offer (Euro 18 million)

Debt assumed to form Group companies went to zero due to substation of of Euro 300 million 5,25% notes in favour of the Company.

Net short-term financial debt increased by Euro 174 million to Euro 1,765 million with the change principally referring to:

- issuing of commercial papers (Euro 2,030 million)
- increase of current portion of long-term debt (Euro 901 million)
- decrease of cash and cash equivalents (Euro 509 million).

This increase was offset by decrease of short-term loans (Euro 808 miilion) and increase of short-term financial receivables (Euro 2,464 million) granted from/to Group Companies mainly as a result of demerger of Enel Green Power International B.V.

Main Risks and uncertainties

In compliance with the new provisions in Dutch Accounting Standard 400, the Company has drawn up elements of its risk section as follows.

Methodology

In order to mitigate its exposure to risks described below, Enel Finance International N.V. conducts specific analysis, monitoring, management and control activities.

The Company adopts governance arrangements been in place within Enel Group, applicable for all wholly owned companies and companies with controlling interest, for managing and controlling financial risks (market, credit and liquidity risks). The Company operates within Treasury Guidelines, which cover financing structure as well as treasury control framework. Main deals devoted to hedging transactions are the subject of Board of Directors consideration and approval.

Current or planned improvements in the risk management system

The Board of Directors considers that the existing system of risk management and internal controls provides the reasonable assurance that risks are properly assessed and managed to achieve business objectives.

Appetite for significant risks

The company is willing to bear risks that are assessed as moderate or low after mitigation in pursuit of its objectives 1) to perform market financial transactions; 2) to provide intercompany financial services to companies within Enel Group; 3) to concentrate and optimise liquidity at Group level

A key goal of the *funding strategy* is to have a diverse, stable and cost-efficient portfolio. The Company's strategy for funding is derived from moderate risk profile.

The *lending strategy* is based on the nature and duration of the financial needs of the companies within Enel Group, of their financial profile and of the business risk associated to the projects to be financed and to the Country of reference. The company is willing to retain medium level of risk.

Please see "Transactions with related parties" of Financial Statements for better explanation of existed control system.

Liquidity surplus is managed carefully by applying a strict set of criteria to investments, dealings with institutions of high creditworthiness and ensuring exposures to counterparties are appropriately secured. The Company accepts low level of credit risk.

The most significant risks and the risk reduction measures taken

The Company's operations and earining are subject to following risks (aithough not limited to).

The control measures are subsequently defined for each identified risk.

Credit risk

Credit Risk is the risk that the Company will suffer from losses when a counterparty defaults on meeting its obligations on a trade or financial transaction.

The Company has a very low appetite to credit risk. In compliance with counterparty credit risk policy defined at Enel Group level, the Company operates almost entirely in its lending activity with other entities belonging to the Enel Group and therefore the level of credit risk is under close control. All new facilities granted to counterparties are the subject of approval by Boars of Directors.

There are few transactions entered into and by market counterparties with high credit standards as regards financial derivatives intended to hedge currency.

Liquidity risk

Liquidity Risk is the risk that the Company will become unable to settle obligations with immediacy, or will be able to meet them only at uneconomic conditions. The Company does not aim to eliminate this risk as this would significantly impair its ability to achieve its objectives. Instead, the risks are managed to an acceptable level by balancing the maturity profile of all financial assets and liabilities and adequate level of available resources (mainly available committed credit lines).

Please see Risk management section of financial statements for more detailed information about liquidity risk.

Exchange rate

The Company is exposed to exchange rate risk associated with cash flows in respect of financial assets or other items in foreign currencies and debt denominated in currencies other than the functional currency of the Company. The Company is not willing to bear exchange rate risk and mitigates it in compliance with Enel Group's risk management policies, which call for hedging of significant exposures, encountering no difficulties in accessing the derivatives market. The Company does not execute derivative transactions with mere trading purposes.

Interest rate risk

Floating rates

The main source of exposure to interest rate risk is the variability of funding costs, related to uncertainty in interests paid by floating-rate debt. Enel Finance International N.V. manages the risk by reducing the amount of debt exposed to interest rate fluctuations through derivative hedging transactions, curbing borrowing costs over time and limiting the volatility of results.

The Company provided sources of finance within the Group Companies with different maturity than attracts funds. Therefore, the Company may face a risk devoted to (unknown) future prevailing market conditions, meaning that existing cost of funding may occur unfavorable. Enel Finance International N.V. manages this risk by following Liability Management Strategy restructuring the most expensive debt to reduce average cost.

The Company grants also short-term loans to the Companies within Enel Group. Risk inherited to these transactions is assumed to be affordable and not necessarily desirable to be eliminated.

Fiscal risk

The Company may be subject to unfavourable changes in the respective tax laws and regulations. The financial position of the Company may be adversely affected by new laws, changes in the interpretation of existing laws or tax policy.The Company has a very low appetite to fiscal risk.

Compliance with current legislation and Group procedures

The Company is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies. Identified breaches of compliance will be remedied as soon as practicable. The Company has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.

Compliance with bond and loan agreements

Bonds final terms and loan agreements prescribe a set of covenants which the Company should be compliant with. Any breaches and defaults may have high adverse effect on the Company's activity.

Enel Finance International N.V. has very low appetite to such risk.

Following table represents the summary of main risks, controls and actions taken to mitigate risks.

The Company assesses the impact of each risk. Current Company's risk profile coinsides with desired risk profile. The Company is willing to maintaine the same level of risk in the future.

Risk area	Risk component	Source of risk	Risk control	Risk appetite	Risk mitigation	Impact of Company's results after risk mitigation
financial risks	credit risk	cash surplus placed in deposits; lending and funding activity	- eligibility criteria; - transactions with related parties Policy	**low**	high credit rating	**low**
	liquidity risk	- different maturity of funding and lending facilities; - liquidity surplus	- monthly analysis of funding-lending cash flows	**medium**	-available credit lines; - sufficient level of available cash and cash equivalents; - matching of short-term cash-in and cash-out	**low**
	exchange rate	- non-Euro denominated facilities	Treasury Guidelines	**low**	- hedge strategy	**null, FX risk exposure is fully covered**
	interest rate	- floating rate facilities - future unknown market conditions	Treasury guidelines	**- medium** **- medium**	- hedge strategy; - liability management program	**- low;** **- medium**
compliance risks	compliance with current legislation and Group procedures	internal governance and busiess processes; systems	internal control system	**nil**	permanent improvement of internal control system	**low**
	fiscal	tax accruals	internal control system	**very low**	- regular reconciliations with Tax Authorities; - preliminary analysis of significant changes	**very low**
	compliance with bond and loan agreements	covenants	covenants monitoring	**very low**	preventive analysis of covenants compliance based of business plan data	**very low**

Quantification of the impact on the result and financial position if the risks materialize

In Octorber 2016 the Company acquired portfolio of Enel Green Power International B.V. with significant portion of non-Euro financial assets. The Company mitigated the rist by using currency forwards with maturity not exceed twelve months.

In 2016 the Company was exposed to exchange risk in relation with non-Euro denominated debt. There was a significant exposure to fluctuation of the Euro against the U.S. dollar, which has recently been subject to market volatility, British pound and Swiss franc.

At 31 December 2016 risk was fully covered by corresponding derivatives.

million euro	31 Dec 2016					
	Gross debt			Derivatives	After risk mitigation	
	Book value	Notional value				
Euro	**9,342**	**9,873**	**52.7%**	**8,878**	**18,751**	**100.0%**
US dollar	5,421	5,455	29.0%	(5,455)	-	0.0%
British pound	2,599	2,628	14.0%	(2,628)	-	0.0%
Swiss franc	539	540	2.9%	(540)	0.19	0.0%
Japanese yen	255	255	1.4%	(255)	0.36	0.0%
Total Non-Euro	**8,815**	**8,878**	**47.3%**	(8,878)	**0.39**	**0.0%**
Total	**18,157**	**18,751**	**100.0%**	**-**	**18,751**	**100.0%**

The future significant variations in exchange rates would not materially and adversely affect the Company's financial position.

Please see Risk Management section for sensitivity analysis on exchange rate.

As shown in the table below in 2016 the Company has low exposure to interest rate risk, nevertheless the risk had not be fully eliminated. The Company used derivative instruments aiming at transforming floating rate liabilities into fixed rate liabilities

million euro	31 Dec. 2016			
	Before risk mitigation		After risk mitigation	
Floating rate	450	2.4%	50	0.3%
Fixed rate	18,301	97.6%	18,701	99.7%
Total	**18,751**	**100.0%**	**18,751**	**100.0%**

The future significant variations in interest rates would not materially and adversely affect the Company's financial position.

Please see Risk Management section for sensitivity analysis on interest rate.

Related Parties

The main activity of Enel Finance International N.V. is to operate as financing company of the Enel Group, raising funds through bonds issuance, loans and other facilities and on turn lending the funds so raised to the companies belonging to Enel Group; all the transactions are part of the ordinary operations of the Company and are settled on the basis of Standard intra-Group contract market prices.

Outlook

The Company should evolve normally during 2017, with the aim to maintain the same funding and lending activities currently ongoing, keeping on supporting Enel Group in its developing and consolidation process.

Board of Directors composition

Taking into account the new legislation that entered into force in the Netherlands on 1 January 2013 and concerning the composition of the companies' Board of Directors, we highlight that the Board members of the Company are currently all men. Nonetheless, the Company believes that the composition of its Board of directors has a broad diversity of experience, expertise and backgrounds, and that the backgrounds and qualifications of the directors, considered as a group, provide a significant mix of experience, knowledge, abilities and independence that we believe will allow our board of directors to fulfill its responsibilities and properly execute its duties.

Subsequent events

In January 2017 the Company placed green bond backed by a guarantee issued by Enel.

The issue totals 1,250 million euros and provides for repayment in one instalment at maturity on 16 September 2024, as well as the payment of a fixed-rate coupon of 1%, payable annually in arrears in the month of September, as from September 2017. The issue price has been set at 99.001% and the effective yield to maturity is equal to 1.137%.

On 3 March 2017 CHF 225 million bond with maturity 7.5 years were issued.

Personnel

At 31 December 2016 the Company employs ten people.

Statement of the Board of Directors

Statement ex Article 5:25c Paragraph 2 sub c Financial Markets Supervision Act ("Wet op net Financieel Toezicht").

To our knowledge,

> the financial statements give a true and fair view of the assets, liabilities, financial position and result of Enel Finance International N.V.;

> the Director's Report gives a true and fair view of the Company's position as per 31 December 2016 and the developments during the financial year 2016;

> the Director’s Report describes the principal risks the Company is facing.

This annual report is prepared according to International Financial Reporting Standards as adopted by the European Union (“IFRS-EU”) and it is externally fully audited by Ernst & Young Accountants LLP. Furthermore this annual report complies with the EU Transparency Directive enacted in the Netherlands in 2008 and subsequently came into force as from 1 January 2009. The Company’s main obligations under the aforementioned Transparency Directive can be summarized as follows:

> filing its approved annual financial statements electronically with the AFM (Autoriteit Financiele Markten) in the Netherlands within five days after their approval;

> making its annual financial report generally available to the public by posting it on Enel S.p.A. official website within 4 months after the end of the 2016 fiscal year (by 30 April 2017);

> making its annual financial report generally available to the public by issuing an information notice on a financial newspaper or on a financial system at European level within 4 months after the end of the 2016 fiscal year (by 30 April 2017).

Amsterdam, 18 April 2017

A.J.M. Nieuwenhuizen
H. Marseille
E. Di Giacomo
A. Canta

Financial statements

for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Statement of comprehensive income

Millions of euro	Note	2016	2015
Costs			
Services	1	(3)	(3)
Personnel	1	(1)	(1)
	(Subtotal)	**(4)**	**(4)**
Operating income		**(4)**	**(4)**
Financial income			
Financial income other that from derivatives	2	1,694	1,127
Financial income from derivatives	3	491	1,375
	(Subtotal)	**2,185**	**2,502**
Financial expense			
Financial expense other that from derivatives	2	(1,267)	(1,986)
Financial expense from derivative	3	(854)	(470)
	(Subtotal)	**(2,121)**	**(2,456)**
Net financial income/ (expense)		**64**	**46**
Income/(Loss) before taxes		**60**	**42**
Income Taxes	4	15	11
Net income for the year		**45**	**31**
Other components of comprehensive income recyclable to profit or loss in future periods:			
- Effective portion of change in the fair value of cash flow hedges net of deferred taxes	13	(509)	733
Total comprehensive income/(loss) for the period (attributable to the shareholder of the Company)		**(464)**	**764**

Statement of financial position

Millions of Euro	Note		
ASSETS		**at Dec. 31, 2016**	at Dec. 31, 2015
Non-current assets			
Deferred tax assets	5	293	123
Long-term loans and financial receivables	6	19,152	20,262
Derivatives	7	729	1,355
Other non-current financial assets	8	31	41
	(Subtotal)	**20,205**	**21,781**
Current assets			
Income tax receivable	-	-	10
Current portion of long-term loans and financial receivables	6	777	-
Short-term loans and financial receivables	9	6,617	4,851
Derivatives	7	357	7
Other current financial assets	10	189	215
Other current assets	11	220	3
Cash and cash equivalents	12	92	601
	(Subtotal)	**8,252**	**5,687**
TOTAL ASSETS		**28,457**	**27,468**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Share capital	13	1,479	1,479
Share premium reserve	13	1,026	43
Cash flow hedge reserve	13	(877)	(368)
Retained earnings	13	333	302
Net income for the period	13	45	31
Total shareholder's equity		**2,006**	**1,487**
Non-current liabilities			
Long-term loans and borrowings	14	16,099	18,434
Derivatives	7	702	68
	(Subtotal)	**16,801**	**18,502**
Current liabilities			
Current portion of long-term loans	14	2,058	1,080
Short-term loans and borrowings	15	7,197	5,976
Derivatives	7	17	6
Other current financial liabilities	16	375	416
Other current liabilities		3	1
	(Subtotal)	**9,650**	**7,479**
TOTAL EQUITY AND LIABILITIES		**28,457**	**27,468**

Statement of changes in equity

Millions of euro

	Share capital	Share premium reserve	Cash flow hedge reserve	Retained earnings	Net income for the period	**Equity attributable to the shareholders**
At 1 January 2015	**1,479**	**43**	**(1,101)**	**270**	**32**	**723**
Allocation of net income from the previous year	-	-	-	32	(32)	-
Comprehensive income for the year:	-	-	733	-		733
of which:						
- other comprehensive income (loss) for the period	-	-	*733*	-		*733*
- net income for period	-	-	-	-	*31*	*31*
At 31 December 2015	**1,479**	**43**	**(368)**	**302**	**31**	**1,487**
Allocation of net income from the previous year	-	-	-	31	(31)	-
Effect of the demerger		983				983
Comprehensive income for the year:	-	-	(509)	-		(509)
of which:						
- other comprehensive income (loss) for the period	-	-	*(509)*	-		*(509)*
- net income for period	-	-	-	-	*45*	*45*
At 31 December 2016	**1,479**	**1,026**	**(877)**	**333**	**45**	**2,006**

Statement of cash flows

Millions of euro	Note	2016	2015
Income for the period		**45**	**31**
Adjustments for:			
Financial (income)	2,3	(2,185)	(2,502)
Financial expense	2,3	2,121	2,456
Income taxes	4	15	11
Cash flow from operating activities before changes in net current assets		*(4)*	*(4)*
(Increase)/Decrease in financial and non-financial assets/liabilities		(26)	(13)
Interest income and other financial income collected		1,347	1,256
Interest expense and other financial expense paid		(1,372)	(1,129)
Income taxes paid		(16)	(13)
Cash flows from operating activities (a)		**(71)**	**97**
New loans granted to Enel S.p.A. and affiliates		*(1,867)*	*(2,702)*
Repayments and other movements from Enel S.p.A. and affiliates		*2,600*	*5,083*
Cash flows from investing/disinvesting activities (b)		**733**	**2,381**
Financial debt (new borrowings)	14, 15	2,745	356
Financial debt (repayments and other changes)		(2,867)	(4,394)
Cash flows from financing activities (c)		**(122)**	**(4,038)**
Increase/(Decrease) in cash and cash equivalents (a+b+c)		540	(1,560)
Cash and cash equivalents at the beginning of the year		**1,647**	**3,207**
Cash and cash equivalents at the end of the year		**2,186**	**1,647**
current account with banks		*90*	*601*
current account with Enel S.p.A.		*2,096*	*1,046*

Notes to the financial statements

Form and content of the financial statement

Enel Finance International N.V. (“the Company”) was as a limited liability company under the laws of the Netherlands on 26 September 2008. The Company is registered with the trade register of the Dutch chamber of commerce under number 34313428 with business address at Herengracht 471, 1017 BS Amsterdam, the Netherlands. The Company is established for an indefinite duration.

The Company is a public company with limited liability, where 100% of the shares are held by Enel S.p.A., the ultimate parent company, having its seat in Rome, Italy.

Company’s financial statements are included into the consolidated financial statements of Enel S.p.A., which can be obtained from the investor relations section of Enel S.p.A. official website (http://www.enel.com).

Corporate purpose

The Company operates as a financing company for the Group, raising funds through bond issuances, loans and other facilities and on turn lending the funds so raised to the companies belonging to the Enel Group. The Company is also part of the centralising financial process and acts as the primary reference for the management of financial needs or liquidity generated by the Enel Group companies.

The Company acts solely as a financing company for Enel Group and therefore is not engaged in market competition in the energy sector with third parties.

The Company is managed by a management board composed of five members, appointed by the general meeting of shareholders, which may dismiss them at any time. The management board has the power to perform all acts of administration and disposition in compliance with the corporate objects of the Company.

The joint signatures of any two members of the management board or the single signature of any person to whom such signatory shall have been appointed by the management board may bind the Company.

Compliance with IFRS/IAS

The financial statements for the year ended 31 December 2016 have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS) issued by International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as the “IFRS-EU”. The financial statements have also been prepared in conformity with the statutory provisions of the Netherlands Civil Code, Book 2, Title 9.

Basis of presentation

The financial statements consist of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes.

The financial statements have been prepared on the historical costs basis except for the following material items:

- Derivative financial instruments, valued at fair value;

> Loans and receivable and financial liabilities recognized at amortized cost.

The assets and liabilities reported in the financial position are classified on a "current/non-current basis". Current assets, which include cash and cash equivalents, are assets that are intended to be used during the normal operating cycle of the Company or in the twelve months following the balance-sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Company or within the twelve months following the close of the financial year.

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

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Functional and presentation currency

The financial statements are presented in euro, the functional currency of Enel Finance International N.V.. All figures are shown in millions of euro unless stated otherwise.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Going Concern

Enel S.p.A. has provided financial support to the Company should it not be able to meet its obligations. This intent has been formally confirmed by Enel S.p.A. in a support letter issued on 14 JFebruary 2017 and valid until next year's approval date of the Financial Statements should the company remain under control of the Enel Group. Based upon this comfort letter received by the parent company, Company's management has prepared the financial statements on the basis of a positive going concern assumption.

Solvency

Given the objectives of the company, the Company is strictly economically interrelated with Enel S.p.A.. In assessing the solvency as well as the general risk profile of the Company, the solvency of the Enel Group as a whole, headed by Enel S.p.A. should be considered.

Accounting policies and measurement criteria

Use of estimates

Preparing the financial statements under IFRS-EU requires the use of estimates and assumptions that affect the carrying amount of assets and liabilities and the related information on the items involved, as well as the disclosure required for contingent assets and liabilities at the balance sheet date. The estimates and the related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected in the income statement 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. Estimates were used only with regard to the valuation of financial instruments. These estimates and assumptions are discussed in the note on the accounting policies adopted.

Related parties

Definition

Related parties are mainly parties that have the same Parent Company (Enel S.p.A.), companies that directly or indirectly, through one or more intermediaries' control, are controlled or are subject to the joint control of Enel S.p.A., and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include the managers with strategic responsibilities, and their close relatives, of Enel S.p.A. and of the companies over which it exercises direct, indirect, or joint control and over which it exercises a significant influence. Managers with strategic responsibilities are those persons who have the power and direct or indirect responsibility for planning, managing and controlling of the activities of the Company. They include company directors.

Transaction with related parties

The Company is subject to transactions with related parties, and adopted the policy defined by the Parent Company Enel S.p.A.

According to this policy, the Board of Directors of Enel S.p.A. adopted regulations that establish the procedures for approving and carrying out transactions undertaken by Enel S.p.A. or its subsidiaries with related parties, in order to ensure the transparency and correctness, both substantial and procedural, of the transactions. According to these regulations, the Internal Control Committee of Enel S.p.A. is entrusted with the prior examination of the transactions with related parties, with the exception of those that present a low level of risk for Enel S.p.A. and the Enel Group.

After the Internal Control Committee has completed its examination, the Board of Directors gives its prior approval (if the transactions regard the Enel S.p.A.) or prior evaluation (if the transactions regard Group companies) of the most significant transactions with related parties, by which is meant (i) atypical or unusual transactions; (ii) transactions with a value exceeding Euro 25 million (with the exception of the previously mentioned ones that present a low level of risk for Enel S.p.A. and the Group); and (iii) other transactions that the Internal Control Committee thinks should be examined by the Board of Directors.

Translation of foreign currencies

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 historic cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in foreign currency stated at fair value are translated using the exchange rate prevailing on the date when that value was determined.

Any exchange rate differences are recognized through the income statement.

Loans and receivables

This category includes non-derivative financial and trade receivables, including debt securities, with fixed or determinable payments that are not quoted on an active market that the entity does not originally intend to sell. Such assets are initially recognized at fair value, adjusted for any transaction costs, and subsequently measured at amortized cost using the effective interest method, net of any impairment losses. Such impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted using the original effective interest rate.

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

Cash and cash equivalents

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

Financial liabilities

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

Derivative financial instruments

Derivatives are recognized at fair value and are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge (assessed periodically) meets the thresholds envisaged under IAS 39.

The manner in which the result of measurement at fair value is recognized depends on the type of hedge accounting adopted.

When the derivatives are used to hedge the risk of changes in the fair value of hedged assets or liabilities, any changes in the fair value of the hedging instrument are taken to profit or loss. The adjustments in the fair values of the hedged assets or liabilities are also taken to profit or loss.

When derivatives are used to hedge the risk of changes in the cash flows generated by the hedged items (cash flow hedges), changes in fair value are initially recognized in equity, in the amount qualifying as effective, and subsequently released to profit or loss in line with the gains and losses on the hedged item. The ineffective portion of the fair value of the hedging instrument is taken to profit or loss.

Changes in the fair value of trading derivatives and those that no longer qualify for hedge accounting under IAS 39 are recognized in profit or loss. Derivative financial instruments are recognized at the trade date. Financial and non-financial contracts (that are not already measured at fair value) are analyzed to identify any embedded derivatives, which must be separated and measured at fair value. This analysis is conducted at the time the entity becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows.

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

According to the International Accounting Standards, the Company measures the credit risk both of the counterparty (Credit Valuation Adjustment or CVA) and of its non-performance credit risk (Debit Valuation Adjustment or DVA), in order to make the adjustment of the fair value of derivative financial instruments for the corresponding value of counterparty risk.

In particular, the Company measures the CVA/DVA based on the net exposure and, subsequently, allocating the adjustment on each financial instrument that constitutes the portfolio.

In order to measure the CVA / DVA, the Company uses a valuation technique based on the Potential Future Exposure, whose inputs are observable on the market.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive the cash flows associated with the instrument expire or the company has transferred substantially all the risks and rewards associated with ownership or control of the instrument.

Financial liabilities are derecognized when they are extinguished or the company transfers all the risks and benefits associated with the instrument.

Fair value hierarchy pursuant to IFRS 7

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

In particular:

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

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Business combination under common control

Assets and liabilities acquired as a result of business combination under common control are accordingly been accounted at the predecessor eninty's carrying amounts.

Financial income and expense

Financial income and expense is recognized on an accruals basis in line with interest accrued on the net carrying amount of the related financial assets and liabilities using the effective interest rate method. They include the changes in the fair value of financial instruments recognized at fair value through profit or loss and changes in the fair value of derivatives connected with financial transactions.

Dividends

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

Income taxes

Income tax expense comprises current and deferred tax.

Corporate income tax is calculated on the basis of the profit before taxation shown in the Profit and Loss Account, taking into account tax allowances and tax adjustments. As of 1 January 2015, the Company forms part of a fiscal unity with Enel Investment Holding B.V, whereby Enel Investment Holding B.V. is the head of the fiscal unity. The Company is jointly and severally liable for all corporate income tax liabilities of the fiscal unity. Taxation for entities within the fiscal unity is calculated on a stand-alone basis and, if required, is settled through a current account with Enel Investment Holding B.V.

Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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

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

The recoverability of deferred tax assets is reviewed at each year-end. Taxes in respect of components recognized directly in equity are taken directly to equity.

Recently issued accounting standards

New accounting standards applied in 2016

The Group has applied the amendments of "IFRS 13 –Fair value measurement" that took effect as from 1 January 2015. The amendment clarifies that the exception for measuring the fair value of group of financial assets and liabilities on a net basis ("the portfolio exception") applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

"Amendments to IAS 1: *Disclosure Initiative"*, issued in December 2014. The amendments, as a part of IASB's major initiative to improve presentation and disclosure in financial statements, include improvements in the following areas:

- materiality: it has been made clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosure;
- disaggregation and subtotals: it has been clarified that the specific line items of the income statement, statement of comprehensive income and balance sheet may be disaggregated. New requirements regarding the use of subtotals are introduced;
- notes structure: it has been clarified that companies have flexibility about the order in which they present the notes to the financial statements. It has been also emphasised that understandability and comparability should be considered by a company when deciding on that order;
- equity accounted investments: the share of OCI of associates and joint ventures accounted for using the equity method shall be split between those items that will and will not be subsequently reclassified to profit or loss and presented in aggregate as single line items within those two sections of the statement of comprehensive income.

The application of these amendments did not have an impact on the Company.

- "Annual improvements to IFRSs 2010 – 2012 cycle", issued in December 2013; the document contains formal modifications and clarifications of existing standards that will take effect for the Group as from January 1, 2016 and that are not expected to have a significant impact. More specifically, the following standards were amended:

- "IAS 24 – Related party disclosures"; the amendment clarified that a "management entity", namely an entity that provides key management personnel services to a reporting entity, is deemed to be a related party of the reporting entity. As a consequence, the reporting entity is required to disclose, in addition to the amount incurred for the service fee paid or payable to the "management entity", other transactions with the "management entity", for example, borrowings, under the existing disclosure requirements of IAS 24 with respect to related parties. The amendment also clarified that if an entity obtains key management personnel services from another entity the reporting entity is not required to apply the disclosures requirements concerning the compensation paid or payable by the "management entity" to the management entity's employees or directors.
- "IFRS 13 –Fair value measurement"; the amendment clarifies that it is already possible to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of discounting is immaterial.

- "Annual improvements to IFRSs 2012 – 2014 cycle", issued in September 2014; 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 7 – Financial instruments: disclosures"; referring to the disclosures to be provided for any continuing involvement in a transferred asset that is derecognised in its entirety, the amendments clarify that a servicing contract that includes a fee can represent continuing involvement in that financial asset, for disclosure purposes. An entity shall analyze the nature of the fee and arrangement, in order to asses where the disclosure are required. The amendments also clarify that the disclosures of offsetting financial assets and financial liabilities are not required in the condensed interim financial report.
- "IAS 34 – Interim Financial Reporting"; the amendment states that the required interim disclosures shall be given either in the interim financial statements or incorporated by cross-reference between the interim financial statements to other statement (e.g. in the management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

Forthcoming accounting standards

Below is a list of accounting standards, amendments and interpretations that will be effective for the Group after 31 December 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 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 collect 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 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 accounting, 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 with 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 recognized 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 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) contracts with multiple contractual obligations; (ii) contracts with variable consideration; (iii) contracts in which a third party is involved in supplying goods/services to customers; (iv) the capitalization of contract acquisition costs.

At the current stage of analysis it is not possible to provide a reasonable estimate of the possible impact of the new 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 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 the liabilities and assets arising from financing activities, defined as those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as "cash flows from financing activities". The amendments require a disclosure of changes in these items, including changes arising from cash flows and non-cash changes (i.e. changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, and changes in fair values). One way suggested by IASB for a entity to fulfil the new disclosure requirements is to provide a reconciliation between its opening and closing balances for liabilities/assets arising from its financing activities. The amendments will take effect for annual periods beginning on or after January 1, 2017. *The future application of the new provisions will not have an impact on the Company.*

- "Amendments to IAS 12 - *Recognition of deferred tax assets for unrealised losses*", issued in January 2016; the amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. In particular these amendments clarify the requirements on the recognition of deferred tax assets for unrealised losses in order to address diversity in practice. The amendments will take effect, subject to endorsement, for annual period beginning on or after January,1 2017. Earlier application is permitted. The Company is assessing the potential impact of the future application of the new provisions.

Risk management

Market risk

Enel Finance International N.V., acting as a financial intermediary, provides the necessary resources to foreign operating Entities of the Group; the funding activity comprises direct access to the international capital markets. Therefore, Enel Finance International N.V. is exposed to interest rate and exchange rates risks, due to its net financial position.

In order to hedge these exposures, the Company employs financial derivative instruments such as interest rate swaps, currency forwards and cross currency interest rate swaps, that are negotiated both with Enel S.p.A. and on the market.

The fair value of a financial derivative is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts.

The fair value of listed instruments is the market price at 31 December 2016. The fair value of over the counter (OTC) instruments is calculated with standard pricing models for each instrument typology. The expected future cash flows are discounted with market interest rate curves, while foreign currency amounts are converted to Euro using the official European Central Bank exchange rates at 31 December 2016.

Moreover, according to the International Accounting Standards, the Company measures the credit risk both of the counterparty (Credit Valuation Adjustment or CVA) and of its non-performance credit risk (Debit Valuation Adjustment or DVA), in order to make the adjustment of the fair value of derivative financial instruments for the corresponding value of counterparty risk.

In particular, the Company measures the CVA/DVA based on the net exposure taking into account any existing arrangements that mitigate credit risk exposure in the event of default and, subsequently, allocating the adjustment on each financial instrument that constitutes the portfolio. In order to measure the CVA / DVA, the company uses a valuation technique based on the Potential Future Exposure, whose inputs are observable on the market.

The notional amount of a financial derivative is the nominal on which payments are calculated. Foreign currency amounts are converted to Euro at official European Central Bank exchange rates at 31 December 2016.

The transactions compliant with IAS 39 requirements can be designated as cash flow hedge, otherwise are classified as trading.

Interest rate risk

Interest rate risk is the risk borne by an interest-bearing financial instrument due to variability of interest rates. The optimal debt structure results from the trade-off between reducing the interest rate exposure and minimizing the average cost of debt.

The Company is exposed to interest rate fluctuation both on liabilities and on assets.

Interest rate swaps are stipulated to mitigate the exposure to interest rates fluctuation, thus reducing the volatility of economic results. Through an interest rate swap, the Company agrees with a counterparty to exchange, with a specified periodicity, floating rate interest flows versus fixed rate interest flows, both calculated on a reference notional amount. In order to ensure effectiveness, all the contracts have notional amount, periodicity and expiry date matching the underlying financial liability and its expected future cash flows.

The following table reports the notional amount and fair value of interest rate derivatives at 31 December 2016 and 31 December 2015:

Millions of euro

	Notional		Fair value		Fair value assets		Fair value liabilities	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Cashflow hedge derivatives:								
Interest rate swap	8,400	7,500	(266)	69	-	113	(266)	(44)
Trading derivatives:								
Interest rate swap	100	100	(4)	(5)	3	2	(7)	(7)
Total interest rate derivatives	**8,500**	**7,600**	**(270)**	**64**	**3**	**115**	**(273)**	**(51)**

The following table reports expected cash flows related to derivatives for the coming years:

Millions of euro

	Fair value	**Expected cash flows**					
	31 Dec 2016	2017	2018	2019	2020	2021	Beyond
Cashflow hedge derivatives:							
Positive Fair value derivatives	1,069	431	102	532	56	45	1,436
Negative fair value derivatives	(429)	(6)	(10)	(4)	(4)	(4)	(15)
Trading derivatives:							
Positive Fair value derivatives	13	7	-	-	-	-	-
Negative fair value derivatives	(17)	(27)	-	-	-	-	-
Total Interest rate derivatives	**637**	**405**	**92**	**528**	**52**	**42**	**1,421**

Regarding the details of interest rate swap contracts on the basis of hierarchy of inputs used to determine fair value, as specified by IFRS 7, refer to the notes: 4, 10.

At 31 December 2016, 2.5 % of gross long term debt towards third parties was floating rate (2.4 % at 31 December 2015). Taking into account interest rate derivatives designated as cash flow hedge considered effective pursuant to the IFRS – EU, gross long term debt is mostly fully hedged against interest rate risk.

Having both assets and liabilities indexed to floating rate indices, the sensitivity of the Company income statement to the fluctuation of interest rates depends upon its net long term financial position, please refer to the sensitivity table.

Interest rate risk sensitivity analysis

The Company performs sensitivity analysis by estimating the effects of changes in the level of interest rates on financial instruments portfolio. In particular sensitivity analysis measures the potential impact of market scenarios both on equity, for the hedging component of derivatives in cash flow hedge, and on income statement for all derivatives that do not qualify for hedge accounting and the portion of net long term floating-rate debt not covered by derivatives.

These scenarios are represented by parallel translation, measured in basis points (bps) in the interest rate yield curve at the reporting date. All other variables held constant, the Company's income and equity before tax is impacted as follows:

Thousands of euro

Interest rate risk sensitivity analysis		31 Dec 2016			
		Pre-tax impact on income		**Pre-tax impact on equity**	
	Interest Rates scenario	**increase**	**decrease**	**increase**	**decrease**
Change in interest expense related to long term gross floating-rate debt after hedging	25 bp	125	(125)	-	-
Change in Fair value of Derivative financial instruments not qualifying for hedge accounting	25 bp	21	(21)	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	25 bp	-	-	152,517	(152,517)

Exchange rate risk

Exchange rate risk is a type of risk that arises from the change in price of one currency against another. The Company exposure to such risk is mainly due to foreign currencies denominated flows, originated by financial assets and liabilities.

In order to mitigate this risk, the Company enters into plain vanilla transactions such as currency forwards and cross currency interest rate swaps. In order to ensure effectiveness, all the contracts have notional amount and expiry date matching the underlying expected future cash flows.

Cross currency interest rate swaps are used to transform a long-term fixed – or floating – rate liability in foreign currency into an equivalent fixed – or floating – rate liability in euro, while currency forwards are used to hedge commercial papers and intercompany loans.

The following table reports the notional amount and fair value of exchange rate derivatives at 31 December 2016 and 31 December 2015:

Millions of euro

	Notional		**Fair value**		**Fair value assets**		**Fair value liabilities**	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Cashflow hedge derivatives:								
Cross currency interest rate swap	8,879	9,123	296	1,223	725	1,240	(429)	(17)
Trading derivatives:								
Forward	4,255	1,632	(4)	1	13	7	(17)	(6)
Total exchange rate derivatives	**13,134**	**10,755**	**292**	**1,224**	**738**	**1,247**	**446**	**(23)**

The following table reports expected cash flows related to derivatives for the coming years:

Millions of euro

	Fair value	**Expected cash flows**					
	31 Dec 2016	2017	2018	2019	2020	2021	Beyond
Cross currency interest rate swap							
Positive Fair value derivatives	-	-	-	-	-	-	-
Negative fair value derivatives	(266)	(11)	(29)	(53)	(70)	(64)	(48)
Forwards							
Positive Fair value derivatives	3	1	1	1	1	1	-
Negative fair value derivatives	(7)	(2)	(1)	(1)	(1)	(1)	(1)
Total Exchange rate derivatives	**(270)**	**(12)**	**(30)**	**(54)**	**(71)**	**(65)**	**(49)**

Regarding the details of derivatives contracts on the basis of hierarchy of inputs used to determine fair value, as specified by IFRS 7, refer to the notes: 4, 5, 10, 12.

Foreign exchange risk sensitivity analysis

The Company performs sensitivity analysis by estimating the effects on financial instruments portfolio of changes in the level of exchange rates. In particular sensitivity analysis measures the potential impact of market scenarios both on equity, for the hedging component of cash flow hedges derivatives, and on income statement for those derivatives that do not qualify for hedge accounting and the portion of gross long-term foreign denominated debt not covered by derivatives.

These scenarios are represented by the 10% Euro appreciation/depreciation towards all foreign currencies in comparison with end of year level. All other variables held constant, the Company's income and equity before tax is impacted as follows:

Thousands of euro

Foreign exchange risk sensitivity analysis		31 Dec 2016			
		Pre-tax impact on income		**Pre-tax impact on equity**	
-	**Exchange Rate scenario**	**Euro Appr.**	**Euro Depr.**	**Euro Appr.**	**Euro Depr.**
Change in interest expense related to long term foreign denominated gross debt after hedging	10%	-	-	-	-
Change in Fair value of Derivative financial instruments not qualifying for hedge accounting	10%	258,702	(315,843)	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	10%	-	-	(1,162,042)	1,420,442

Credit risk

Credit Risk is the risk that the Company will suffer losses when a counterparty defaults in meeting its obligations on a trade or transaction of any kind when it is supposed to.

Credit risk from intercompany loans and other financial receivable is managed by the Company. Enel Finance International N.V. is part of the centralising financial flow process and acts as the primary reference for the management of financial needs or liquidity generated by Enel Group entities. The Company manages its lending operations to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2016 are the carrying amounts.

Liquidity risk

Liquidity Risk is the risk that the Company will become unable to settle obligations with immediacy, or will be able to meet them only at uneconomic conditions. In order to mitigate this risk Enel Finance International N.V. meets liquidity requirements primarily through cash flows generated by ordinary operations and drawing on a range of financing sources while managing any liquidity excess as appropriate. The Company has an access to committed credit line with Mediobanca (Euro 4,720 million). The outstanding commercial paper programs with a maximum ceiling on 6,000 million, of which Euro 2,127 million drawn at 31 December 2016 (Euro 97 million at 31 December 2015).

Furthermore, Enel S.p.A. has confirmed through a letter dated 14 February 2017 its commitment to explicitly provide the Company with the financial support until the date of approval of full year 2017 financial statements of the Company.

Notes to the financial statements

1 Result from operating activities – Euro (4) million

Result from operating activities is negative for Euro 4 million in line with the previous year and refer to services (mainly related to legal and consultancy charges) for Euro 3 million and to personnel costs for Euro 1 million.

2 Financial income/ (expense) other than from derivatives – Euro 425 million

Millions of euro

	2016	2015	Change
Financial income:			
Interest income			
- interest income on long-term financial assets	986	1,043	(57)
- interest income on short-term financial assets	78	50	28
Total interest income	1,064	1,093	(29)
Positive exchange rate differences	630	34	596
Total finance income other than from derivatives	**1,694**	**1,127**	**567**
Financial expense:			
Interest expense			
- interest expense on bank borrowings	(81)	(94)	13
- interest expense on bonds	(944)	(1,037)	93
- interest expense on commercial papers	0	(6)	6
Total interest expense	(1,025)	(1,137)	112
Negative exchange rate differences	(242)	(849)	607
Total financial expense other than from derivatives	**(1,267)**	**(1,986)**	**719**
Net financial income/ (expense) other than from derivatives	**427**	**(859)**	**1,286**

Interest income from financial assets decreased to Euro 1.064 million, down Euro 29 million on 31 December 2016 with the variation essentially due to the lower interest income from Endesa SA (Euro 28 million) and Enel Iberoamerica SA (Euro 22 million), Enel Produzione S.p.A. (Euro 15 million) and Enel Energia S.p.A (Euro 4 million). The above mentioned increase was parlty offset by increase of interest increase of interests from Enel SpA (Euro 13 million) and interest of Enel Global Trading S.p.A. (Euro 12 million) and net income from portfolio demerged from Enel Green Power International B.V.

Interests charges on financial debt totaled Euro 1,025 million having a decrease of Euro 112 million maily due to:

- decrease of interests accrued on bonds which were partly replaced by new one with lower interest rate (Euro 34 million);

- decrease of interests paid to Group companies due to lower amount of borrowed facilities (Euro 46 million);

- decrease of interest charges paid by the on Commercial Paper (Euro 6 million)

- decrease of interests accrued for bonds with floating rates (Euro 1 million) due to Libor decrease.

- decrease of interests demonivated in non-euro currences (Euro 52 million)

This decrease was partly offset by increase of interest due to one addition day in leap year.

The net foreign exchange gain increased by Euro 1,203 million and totaled to Euro 388 million They consisted of: the revaluation of the bonds denominated in foreign currencies (Euro 241 million) and foreign currency evaluation of non-euro group portfolio (Euro 147 million).

The amount of the foreign exchange losses arisen from the dereciation of bonds above mentioned is entirely covered with the reversal of the Cash Flow Hedge equity reserve resulting in a financial loss of Euro 241 million.

3. Financial income/(expense) from derivatives –Euro (363) million

Millions of euro

	2016	2015	Change
Financial income from derivatives:			
- income from cash flow hedge derivatives	267	942	(675)
- income from derivatives at fair value through profit or loss	224	433	(209)
Total finance income from derivatives	**491**	**1,375**	**(884)**
Financial expense from derivatives:			
- income from cash flow hedge derivatives	(458)	(21)	(437)
- income from derivatives at fair value through profit or loss	(396)	(449)	53
Total financial expense from derivatives	**(854)**	**(470)**	**(384)**
Netl income/(expense) from derivatives	**(363)**	**905**	**(1,268)**

Net income/ (expenses) from cash flow hedge derivatives totaled to negative Euro 191 million having a decrease by Euro 1,112 million comparing with the previous period mainly due to decrease of financial income transfer to equity (Euro 1,033 million) and decrease of realised income from financial exchange derivatives (Euro 79 million).

Net income/ (expenses) from derivatives at fair value through profit and loss decreased by Euro 156 million mainly due to increase of realised losses (Euro 169 million) partly offset by increase of change in fair value (Euro 13 million).

For more detail about derivative financial instruments, please refer to the note 7

4 Income tax expense – Euro 15 million

Millions of euro

	2016	2015	Change
Profit before income taxes	58	42	16
Withholding tax on interests	1	-	1
Tax rate at nominal tax rate (25%)	14	11	3
Current Taxation	**15**	**11**	4

Starting from 2015 the Company forms a fiscal unity with its Enel Investments B.V. The Company calculates its tax provision on a stand-alone basis.

5 Deferred tax assets – Euro 293 million

At 31 December 2016 tax deductable temporary differences that arose due to revaluation of derivative and relise to profit and loss forex revaluation of hedged items led to recognition of deferred tax assets in amount of Euro 293 million. Increase in amount of Euro 170 million attributed to decrease of cash flow hedge reserve during the reported period. The recorded deferred taxes will be utilised in future periods.

6 Long-term loans and financial receivables including portion falling due withing twelve month – Euro 19,931 million

Followinf table represents to medium long-term loans granted to Enel Group companies:

Millions of Euro

	at Dec. 31, 2016	31 Dec 2015	Change
Loan receivable from Iberoamerica S.A.	5,908	6,508	(600)
Loan receivable from Enel Distribuzione S.p.A.	5,500	5,500	-
Loan receivable from Endesa SA	3,000	3,000	-
Loan receivable from Enel Produzione S.p.A.	2,000	2,000	-
Loan receivable from Enel S.p.A.	1,200	-	1,200
Loan receivable from Parque Eólico Renaico SpA	554	-	554
Loan receivable from Enel Green Power Hellas SA	149	-	149
Loan receivable from PH Chucas SA	120	-	120
Loan receivable from Enel Sole S.r.l.	100	100	-
Loan receivable from Energías Renovables La Mata SAPI de Cv	122	-	122
Loan receivable from Energía Limpia de Palo Alto S de RL de Cv	126	-	126
Loan receivable from Vientos del Altiplano S de RL de Cv	105	-	105
Loan receivable from Dominica Energía Limpia S de RL de Cv	104	-	104
Loan receivable from Enel Green Power Panama SA	57	-	57
Loan receivable from Estrellada SA	46	-	46
Loan receivable from Enel Green Power México S de RL de Cv	40	-	40
Loan receivable from Kalenta SA	21	-	21
Loan receivable from Enel Green Power International B.V.	-	2,455	(2,455)
Loan receivable from Enel Global Trading S.p.A.	-	700	(700)
Total loans to Enel Group Entities	**19,152**	**20,262**	**(1,110)**

Short-term portion of long-term loans reperesented in the table below:

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Short-term portion of long-term loans granted to Enel Group Entities			
Loan receivable from Enel Global Trading S.p.A.	700	-	700
Loan receivable from Energía Limpia de Palo Alto S de RL de Cv	14	-	14
Loan receivable from PH Chucas SA	13	-	13
Loan receivable from Dominica Energía Limpia S de RL de Cv	11	-	11
Loan receivable from Enel Green Power México S de RL de Cv	10	-	10
Loan receivable from Vientos del Altiplano S de RL de Cv	10	-	10
Loan receivable from Energías Renovables La Mata SAPI de Cv	9	-	9
Loan receivable from Kalenta SA	3	-	3
Loan receivable from Estrellada SA	3	-	3
Loan receivable from Enel Green Power Panama SA	4	-	4
Total	**777**	**-**	**777**

The decrease (Euro 331 million) of loans to Enel Group Entities is due to the following factors:

- early repayment (Euro 600 million) by Enel Iberoamerica S.A., of the Loan Agreement granted on 01 December 2009 and with an original amount of Euro 18.000 million;

- partially compensated by changing portfolio as a result of demerger of EGPI B.V. (Euro 269 million). Acquied portfolio totaled to Euro 2,723 million partly offset by closing loan with EGPI in amount of Euro 2,455 million;

7. Derivatives – Euro 367 million

Derivative instruments refer to: (i) Cash flow hedge derivatives used by the Company to hedge the exchange rate and interest rate fluctuations of bonds and long-term loans or receivables; (ii) derivatives at fair value through profit and loss used by the Company to hedge the loan interest rate fluctuations. For further details see *"Risk Management"* section.

Milions of euro	**Non Current**				**Current**			
	Notional amount		Fair value		Notional amount		Fair value	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
DERIVATIVE ASSETS								
Cash flow hedge								
on interest rate risk	-	6,900	-	113	-	-	-	-
on foreign exchange risk	4,734	9,035	725	1,240	1,423	-	344	-
Total	**4,734**	**15,935**	**725**	**1,353**	**1,423**	**-**	**344**	**-**
At fair value through profit or loss								
on interest rate risk	50	50	3	2	-	-	-	-
on foreign exchange risk	-	-	-	-	1,573	766	13	7
Total	**50**	**50**	**3**	**2**	**1,573**	**766**	**13**	**7**
TOTAL DERIVATIVE ASSETS	**4,784**	**15,985**	**729**	**1,355**	**2,996**	**766**	**357**	**7**
DERIVATIVE LIABILITIES								
Cash flow hedge								
on interest rate risk	8,400	600	266	44	-	-	-	-
on foreign exchange risk	2,721	88	429	17	-	-	-	-
Total	**11,121**	**688**	**695**	**61**	**-**	**-**	**-**	**-**
At fair value through profit or loss								
on interest rate risk	50	50	7	7	-	-	-	-
on foreign exchange risk	-	-	-	-	2,682	866	17	6
Total	**50**	**50**	**7**	**7**	**2,682**	**866**	**17**	**6**
TOTAL DERIVATIVE LIABILITIES	**11,171**	**738**	**702**	**68**	**2,682**	**866**	**17**	**6**

The following table shows the amount of derivative contracts detailed on the basis of the hierarchy of inputs used to determine fair value, as specified by IFRS 7:

Milions of euro	Non Current				Current			
	31 Dec 2016	Level 1	**Level 2**	Level 3	**31 Dec 2016**	Level 1	**Level 2**	Level 3
DERIVATIVE ASSETS								
Cash flow hedge								
on interest rate risk	-	-	-	-	-	-	-	-
on foreign exchange risk	725	-	725	-	344	-	344	-
Total	**725**	-	**725**	-	**344**	-	**344**	-
At fair value through profit or loss								
on interest rate risk	3	-	3	-	-	-	-	-
on foreign exchange risk	-	-	-	-	13	-	13	-
Total	-	-	-	-	-	-	-	-
TOTAL DERIVATIVE ASSETS	**725**	-	**725**	-	**344**	-	**344**	-
DERIVATIVE LIABILITIES								
Cash flow hedge								
on interest rate risk	266	-	266	-	-	-	-	-
on foreign exchange risk	429	-	429	-	-	-	-	-
Total	**695**	-	**695**	-	-	-	-	-
At fair value through profit or loss								
on interest rate risk	7	-	7	-	-	-	-	-
on foreign exchange risk	-	-	-	-	17	-	17	-
Total	**7**	-	**7**	-	**17**	-	**17**	-
TOTAL DERIVATIVE LIABILITIES	**702**	-	**702**	-	**17**	-	**17**	-

8 Other non-current financial assets – Euro 31 million

Other non-current financial assets totaled Euro 31 million as t 31 December 2016 having an decrease of Euro 10 million comparing to the previous year referred to the cost portion accrued in the period.

At 31 December 2016 non-current financial assets do not include neither past due nor impaired items.

9 Short-term loans and financial receivables – Euro 6,621 million

The following table shows the breakdown of the short-term loans granted to Enel Group affiliated companies:

Millions of euro	at Dec. 31, 2016	at Dec. 31, 2015	Change
Short-term loans granted to Enel Group Entities			
Enel S.p.A. - Financial Services Agreement	2,096	1,046	1,050
Revolving short-term facility agreement with Enel Global Trading S.p.A.	500	1,300	(800)
Revolving short-term facility agreement with Enel Produzione S.p.A.	1,000	2,000	(1,000)
Revolving short-term facility agreement with Enel Green Power S.p.A.	1,000	-	1,000
Revolving short-term facility agreement with Enel Green Power North America	769	-	769
Revolving short-term facility agreement with Enel Green Power Chile	705	-	705
Revolving short-term facility agreement with Enel Green Power RSA	219	-	219
Revolving short-term facility agreement with Open Fiber S.p.A	125	-	125
Revolving short-term facility agreement with EGP Hellas	122	-	122
Revolving short-term facility agreement with EGP Romania	52	-	52
Revolving short-term facility agreement with EGP Bulgaria	23	-	23
Multicurrency revolving facility agreement with Enel Green Power International B.V.	-	305	(305)
Revolving short-term facility agreement with Endesa SA	-	200	(200)
Other short term loans granted to Enel Group affiliates	6		6
Total short term loans granted to Enel Group affiliates	**6,617**	**4,851**	**1,766**

The Euro 1,766 million increase of short-term loans principally refers to:

- acquired portfolio as a result of demerger of Enel Green Power International B.V. (Euro 1,019 million) partly offsetted by closing the multicurrency short-term revolving line granted to Enel Green Power International B.V. (Euro 305 million);
- the increased financial receivables with Enel S.p.A. (Euro 1,050 million);
- revolving line granted to Enel Green Power S.p.A (Euro 1,000 million).

This increase was partly compensated by

- decrease of Euro 1,000 million revolving short-term facility granted to Enel Produzione S.p.A.;
- decrease of short-term loan granted to Enel Global Trading S.p.A (Euro 800 million);
- decrease of short-term relovling line granted to Endesa S.A (Euro 200 million)

The table below reports the short-term financial instruments granted to the Enel Group companies:

Millions of Euro

	Financial relationship	Commitment amount as at 31 Dec 2016		Rate of Interest	Spread as at 31 Dec 2016	Commitment fee as at 31 Dec 2016
Enel Produzione S.p.A.	Revolving credit facility	1,500		Euribor	0.620%	0.2170%
Enel Global Trading S.p.A.	Revolving credit facility	800		Euribor	1.200%	0.4500%
Enel Iberoamerica S.r.l.	Revolving credit facility	400		Euribor	0.400%	0.1400%
Endesa S.A.	Revolving credit facility	1,500		Euribor	0.060%	N/A
Res Holdings BV	Revolving credit facility	250		3M Euribor	1.000%	N/A
Open Fiber S.p.A	Revolving credit facility	125		1.50%	N/A	0.5250%
Enel Green Power Bulgaria EAD	Revolving credit facility	28		3M Euribor	2,10%	0.7350%
Enel Green Power Chile Ltda	Revolving credit facility	800	(1)	3M US Libor	3,55%	0,20%
Enel Green Power Hellas SA	Revolving credit facility	132		3M Euribor	4.430%	1.5488%
Enel Green Power SpA	Revolving credit facility	1,000		3M Euribor	0.960%	0,3360%
Proveedora de Electricidad de Occidente S de RL de Cv	Revolving credit facility	15	(1)	6M US Libor	0.400%	0.1411%
Enel Green Power North America Inc.	Revolving credit facility	1,310	(1)	3M US Libor	1,45%	0,507%
Enel Green Power Romania Srl	Revolving credit facility	560	(3)	3M Robor	1,81%	0.6180%
Enel Green Power RSA (Pty) Ltd	Revolving credit facility	5,000	(2)	3M Jibar	4.910%	1.7168%
Enel Green Power Turkey Enerji Yatirimlari Anonim Sirketi	Revolving credit facility	2		3M Euribor	2.180%	0.7613%
Estrellada SA	Revolving credit facility	5	(1)	3M US Libor	2.900%	1.0150%

(1) Millions USD
(2) Millions ZAR
(3) Millions RON

10 Other current financial assets – Euro 189 million

Other current financial assets decreased by Euro 26 million comparing with the previous year principally due to decrease of accrued income related to the long-term loan and short-term credit lines granted to Enel Group affiliate.

At 31 December 2016 current financial assets do not have impaired items.

11 Other current assets – Euro 220 million

Other current assets increased by Euro 217 million comparing with the previous year principally due receivables of Enel Green Power P.s.A. (Euro 204 million) appeared because of demerger. Remaining amount attributed to receivables of Enel Investment Holding B.V. and devoted to fiscal unity.

12 Cash and cash equivalents – Euro 92 million

Cash and cash equivalent represent the cash availabilty deriving by the turnover of lending porfolio of the Company, temporary not invested in lending activities within Enel Group and placed in time deposits operations with primary bank counterparties.

For the purpose of cash flows statement, cash and cash equivalents also includes the positive amount of Financial Services Agreement held with the Parent Company. With reference to 31 December 2016, the amount of the Financial Services Agreement is positive for Euro 2,096 million and it has been classified as current financial assets in the statement of financial position.

13 Shareholder's equity – Euro 2,007 million

Share capital – Euro 1.479 million

The authorized share capital of the company amounts to Euro 2.500 million, divided into 2.500 million of shares, each share with a nominal value of Euro 1,0 each.

The issued and paid-up share capital amounts to Euro 1.478,8 million represented by 1.478.810.371 shares with nominal value of Euro 1,0 each increased by 1 share as a result of demerger of Enel Green Power International B.V.

Share premium reserve – Euro 1,026 million

The reserve arises from the cross-border merger finalized during 2010 between Enel Finance International S.A. and Enel Trading RUS B.V. (Euro 43 million) and demerger of net assets from Enel Green Power International B.V. in October 2016 (Euro 983 million).

Cash flow hedge reserve – Euro (877) million

The reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions. The variation over the period is detailed as follows:

Millions of Euro

	31 Dec 2015	Gain/(Losses) recognized in equity for the year	Released to income statement	Deferred tax asset	**31 Dec 2016**
Gains/Losses on change in fair value of the effective portion of CFH Derivatives on interest and exchange rates	(368)	(918)	239	170	(877)
Total gains/(losses) recognized in equity	**(368)**	**(918)**	**239**	**170**	**(877)**

The negative variation of Euro 877 million is due to:

> the losses (Euro 918 million) on change in fair value of derivatives. The variation refers to: (i) an increase in fair value measurement of cross currency interest rate swap derivatives on bonds (Euro 583 million); (ii) an increase of fair value measurement of interest rate swap derivatives on long-term floating rate loans (Euro 335 million);

- the negative variation (Euro 239 million) aimed to hedge the result of the underlying hedged financial liabilities when the latter impact the Company income statement (Euro 241 million) partly offset by depreciation of up-front fee (Euro 2 million);
- Increase of deferred tax asset (Euro 170 million) related to the temporary differences of cash flow hedge operations.

Capital Management

It is policy of the Company to maintain a strong capital base to preserve creditors and market confidence and so sustain future development of the business. The Board of Directors monitors the return on capital that the Company defines as total shareholder's equity, and the level of dividends to ordinary shareholders.

The return of capital is calculated as a percentage of financial result on total equity net of cash flow hedge reserve excluded in this key performance indicator because Company's management preferred to exclude evaluation equity reserves which might be quite volatile over the periods:

Millions of euro

	31 Dec 2016	31 Dec 2015
Total Equity	2,007	1,486
Cash flow hedge reserve	(877)	(368)
Adjusted equity	2,884	1,854
Net financial result	62	46
Return of capital (*)	**2%**	**2%**

* Key Performance Indicator determined on a yearly basis.

The Board's objective is to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Company's approach to capital management during 2016. The Company is not subject to externally imposed capital requirements.

14 Long-term loans and borrowings (including the portion falling due within twelve months for Euro 1,080 million) – Euro 18,157 million

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk see paragraph "*Risk management"*.

The aggregate includes long-term payables in respect of bonds, bank loans, revolving credit facility and other loans in Euro and other currencies.

The following table shows long-term debt and repayment schedules at 31 December 2016, grouped by loan and interest rate type:

Millions of Euro

	Maturing	Balance	Nominal value	Balance	Current portion	Portion falling due after more than 12 months	Maturing in				
		31 Dec 2016	**31 Dec 2016**	**31 Dec 2015**			**2018**	**2019**	**2020**	**2021**	**Beyond**
Bond											
Listed Bond (Fixed rate)	2017 - 2040	12,114	12,662	13,360	636	11,477	1,471	125	672	530	8,679
Listed Bond (Floating rate)	2022-2025	445	450	444	-	445	-	-	-	-	445
Unlisted Bond (Fixed rate)	2017 - 2039	5,598	5,640	5,414	1,422	4,176	-	1,655	-	-	2,521
Total Bond	**2016 - 2040**	**18,157**	**18,752**	**19,218**	**2,058**	**16,098**	**1,471**	**1,780**	**672**	**530**	**11,645**
GMTN Internal Assumption towards EIH BV											
EUR (Fixed-rate)	2023	-	-	296							
Total GMTN Internal Assumption	**2023**	**-**	**-**	**296**							
Total Bond	**2016 - 2040**	**18,157**	**18,752**	**19,514**	**2,058**	**16,098**	**1,471**	**1,780**	**672**	**530**	**11,645**

The table below reports long-term financial debt by currency and interest rate.

Millions of Euro

	31 Dec 2016	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2015**	
	Balance	Nominal value	Balance	Current average interest rate	Effective interest rate
Total Euro	*9,342*	*9,873*	*10,464*	*3.91%*	*4.72%*
US dollar	5,421	5,455	5,245	5.94%	6.13%
British pound	2,599	2,628	3,030	5.70%	5.82%
Swiss Franc	540	540	535	3.07%	3.13%
Japanese yen	255	255	240	2.43%	2.46%
Total non-Euro currencies	*8,815*	*8,878*	*9,050*		
Total	**18,157**	**18,751**	**19,514**		

The table below reports the carrying amount and the fair value of long-term debt. For listed debt instruments, the fair value is given by official prices while for unlisted instruments the fair value is determined using appropriate valuation technique for each category of financial instrument and market data at the closing date of the year.

Millions of Euro

	31 Dec 2016		**31 Dec 2015**		**2016 - 2015**	
	Book Value*	Fair value*	Book Value*	Fair value*	Book Value	Fair value
Bonds in non-Euro currencies and Euro currency	18,157	21,528	19,218	22,474	(1,061)	(945)
Total long-term financial debt	**18,157**	**21,528**	**19,218**	**22,474**	**(1,061)**	**(945)**

** Fair value and Book Value of Bonds do not take in consideration the GMTN Internal Assumption*

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

Millions of Euro

	Nominal value	New financing	Capitalised interests on ZCB	Repayments	Exchange rate differences	Nominal value
	31 Dec 2015					**31 Dec 2016**
Bonds in non-Euro currencies and Euro currency	19,886	183	3	(1,080)	(241)	18,751
Total long-term financial debt	**19,886**	183	**3**	**(1,080)**	**(241)**	**18,751**

GMTN Internal assumption towards Enel Investment Holding B.V.

Notes were issued by Enel Investment Holding B.V. and following an agreement with Enel Investment Holding B.V. dated 29 September 2011 the Company undertook to assume towars Enel Investment Holding B.V. all obligations of payment to the latter related to notes issued under GMTN Programme.

On 3 October 2016, following the Extraordinary Resolution adopted by the Adjourned Meeting of bondholders of Euro 300 million 5,25% notes, the Company and Enel Investment Holding B.V signed the Deed of Substitution of in favor of Enel Finance International N.V.

Global Medium Term Note Programme

On 1 June 2016, following a non-binding exchange offer, the Company carried out the repurchase and concomitant issue of a senior fixed-rate bond maturing on 1 June 2026

The total amount of repurchased seven bonds, with final maturity date between 2017 and 2023, (Euro 1,074 million) and that issued (Euro 1,257 million) generate a net cash flow of Euro 183 million that did not give rise to the extinguishment of the pre-existing financial liability fo pre-existing financial liability from acconting standpoint.

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 Euro 6,532 million, maturing between 2017 and 2023.

Revolving Facility Agreement

In February 2013 Enel S.p.A and the Company obtained and later in 2015 renegotiated the forward starting revolving credit facility of about Euro 9,440 million with Mediobanca – Banca di Credito Finanziario S.p.A. and a pool of banks leaded by Mediobanca, falling due 2020.

The facility was undrawn at December 31, 2016

Debt covenants

The main long-term financial debts of the Company are governed by covenants containing undertakings by the borrowers (Enel S.p.A. and the Company) and by Enel S.p.A. as guarantor that are commonly adopted in international business practice. The main covenants for the Company are related to the bond issues carried out within the Global Medium-Term Notes Programme and the Forward Start Facility. The Forward Start Facility was signed on 8 February 2013 by Enel and by the Company with a pool of banks for a total amount of Euro 9.440 million. To date none of the covenants have been triggered.

The main covenants in respect of the bond issues under the Global Medium-Term Notes program can be summarized as follows:

- negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets or revenues to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;

- pari passu clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have at least the same seniority as other unsubordinated and unsecured obligations, present and future, of the issuer;
- specification of default events, whose occurrence (e.g. insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default;
- under cross-default clauses, the occurrence of a default event (above a threshold level) in respect of certain indebtedness of the issuer constitutes a default in respect of the bonds in question, which may become immediately repayable;
- early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

The main covenants for the Forward Start Facility involving the Company and Enel S.p.A. can be summarized as follows:

- negative pledge clause under which the borrower (and Enel S.p.A.'s significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of their assets to secure certain financial indebtedness;
- pari passu clause, under which the payment obligation of the borrower have at least the same seniority as its other unsubordinated and unsecured payment obligations;
- change of control clause which is triggered in the event (i) control of Enel is acquired by one or more shareholders other than the Italian state or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to any other persons 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 facility or (b) compulsory early repayment of the facility by the borrower;
- specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, misrepresentation, insolvency of the borrower or Enel S.p.A.'s significant subsidiaries, cessation of busines, governmental intervention or nationalization, administrative proceeding with potential negative impact) constitutes a default of the facility. Unless remedied within a specified period of time, such default will trigger an obligation to make immediate repayment of the facility under an acceleration clause;
- under cross-default clause, the occurrence of a default event (above a threshold level) in respect of certain financial indebtedness of the borrower or Enel S.p.A.'s "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least equal to a specified percentage (10% of gross consolidated revenues or total consolidated assets)) constitutes a default in respect of the facility in question, which may become immediately repayable;
- disposals clause, under which the borrower (and Enel S.p.A.'s controlled subsidiaries) may not dispose of all or any material part of their assets or undertaking with the exception of permitted disposals.

15 Short-term loans and borrowings – Euro 7,197 million

Millions of Euro

	at Dec. 31, 2016		at Dec. 31, 2015		Change	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Short-term loans Enel Group companies	5,071	5,071	5,874	5,874	(803)	(803)
Short-term bank loan third parties	-	-	5	5	(5)	(5)
Commercial papers	2,127	2,127	97	97	2,030	2,030
Short-term financial debt	**7,198**	**7,198**	**5,976**	**5,976**	**1,222**	**1,222**

Short-term loans

At 31 December 2016 short-term loans decreased by Euro 803 million from 31 December 2015.

Millions of Euro

	Original currency	**Euro countervalue at 31 Dec 2016**	**Euro countervalue at 31 Dec 2015**	**Change**
Intercompany Current Accounts denominated in Euro				
Enel Servizio Elettrico S.p.A.	Euro	2,744	2,894	(150)
Enel S.p.A.	Euro	-	1,355	(1,355)
Enel Investment Holding B.V.	Euro	1,344	1,214	130
Enel IberoamericaS.r.l.	Euro	303	231	72
Enel Energia S.p.A	Euro	500	-	500
Enel Green Power México S de RL de Cv	Euro	73		73
Proveedora de Electricidad de Occidente S de RL de Cv	USD	41		41
Generadora Montecristo SA	USD, MXN	30		30
Erdwärme Oberland Gm	Euro	13		13
Kongul Energì Sanayive Tìcaret Anonìm S¸ìrket	TRY	8		8
Enel Green Power Costa Rica SA	USD	6		6
Enel Green Power Canada Inc	CAD	5		5
Enel Green Power Development BV	Euro	2		2
Kavachik	TRY	1		
Ovachik	TRY	1	-	1
Enel Green Power International B.V.	-	-	2	(2)
Enel France S.A.	Euro	-	85	(85)
Marcinelle Energie S.A.	Euro	-	82	(82)
	(Subtotal)	**5,071**	**5,863**	**(793)**
	Original currency	**Euro countervalue at 31 Dec 2016**	**Euro countervalue at 31 Dec 2015**	**Change**
Intercompany Current Accounts denominated in other currencies				
Enel Green Power International B.V.	USD	-	11	(11)
	(Subtotal)	**-**	**11**	**(11)**
Total		**5,071**	**5,874**	**(803)**

Short-term loans are mainly composed by the following relashionships:

- The Long Term Deposit Agreement with Enel Servizio Elettrico S.p.A. signed on 27 December 2011. The time deposits outstanding under the Agreement have a global balance of Euro 2,743 million;

- The deposit account agreement signed with Enel Investment Holding B.V. in November 2013 to provide a financial instrument to deposit its excess of liquidity resulting from the disposal of some assets and from the day by day activities; at 31 December 2016 the balance under this agreement is equal to Euro 1,344 million;
- The financial agreement signed with Enel Iberoamerica S.A. in December 2011 to provide inter alia a financial instrument to deposit its excess of liquidity resulting from the day-by-day activities; at 31 December 2016 the balance under this agreement is equal to Euro 303 million.
- The financial agreement with Enel Energia S.p.A. signed in June 2016 to provide inter alia a financial instrument to deposit its excess of liquidity resulting from the day-by-day activities

Commercial Papers

The payables represented by commercial papers relate to outstanding issuances at 2016 year-end in the context of the Euro Commercial Paper Programme (hereinafter, also "ECP Programme"), launched in 2005 by the Company and guaranteed by Enel S.p.A.

Under the ECP Programme the Company can issue short-term promissory notes issued in the interest-bearer form up to an amount of Euro 6.000 million. Each note can be denominated in any currency, with a minimum denomination of Euro 500.000 (or GBP 100.000, or USD 500.000, or JPY 100 million or its equivalent in the relevant currency) and a maturity between one day and one year. The notes may be issued on a discounted basis or may bear fixed or floating interest rate or a coupon calculated by reference to an index or formula, and are not listed on any stock exchange.

The total nominal value of commercial papers issued and not yet reimbursed as of 31 December 2016 was Euro 2,127 million (Euro 97 million at 31 December 2015).

16 Other current financial liabilities – Euro 375 million

Other current financial liabilities mainly relate to interest expenses accrued on debt outstanding at 31 December 2016 mainly due to interests arising from GMTN Programme for Euro 335 million and interests arising from loans granted by Group companies (Euro 40 million).

Related parties

Transactions between Enel Finance International N.V. and other companies of Enel Group involve Financing and Treasury management.

The main activity of Enel Finance International N.V. is to operate as financing company of the Enel Group, raising funds through bonds issuance, loans and other facilities and on turn lending the funds so raised to the companies belonging to Enel Group.

Enel Finance International N.V. is also part of the centralising financial flow process and acts as the primary reference for the management of Financial needs or liquidity generated by the entities that operate outside of Italy and are part of Enel Group.

The company enters into plain vanilla transaction with Enel S.p.A., such as currency forwards and cross currency interest rate swaps in order to mitigate the interest and exchange rates risks.

These transactions are part of the ordinary operations of the Company and are settled on the basis of Standard intra-Group contract market prices.

Enel Finance International N.V. has no business relations with Key management during the financial year.

The following table summarizes the financial relationships between the Company and its related parties at 31 December 2016 and 31 December 2015 respectively:

Millions of euro	Receivables	Payables	Income	Cost
	at Dec. 31, 2016		**2016**	
Shareholder	4406	733	87.35	59.48
Enel S.p.A	*4,406*	*733*	*87*	*59*
(Subtotal)	4406	733	87.35	59.48
Other affiliated companies				
Enel Distribuzione S.p.A.	5,566	-	340	-
Enel IberoAmerica S.A.	5,931	303	280	-
Enel Produzione S.p.A.	3,020	-	120	-
Enel Energia S.p.A.	-	500	-	
Enel Global Trading S.p.A.	1,205	-	29	-
Enel Servizio Elettrico S.p.A.	-	2,744	-	11
Enel Investment Holding B.V.	10	1,346	-	15
Marcinelle Energie S.A.	-	-	-	
Enel France S.A.			-	
Enel Green Power International B.V.			217	26
ENDESA S.A.	3,018	-	93	-
EGP Bulgaria EAD	23			
Enel Sole S.r.l.	101	-	3	-
Enel Green Power S.p.A.	1,204		4	
Enel Green Power Chile Ltda	705		32	3
Enel Green Power Costa Rica		6		
P.H. Chucas SA	136		6	-
Generadora Montecristo SA		29		
Enel Green Power Mexico	50	73		2
Proveedora de Electricidad de Occidente Srl de cv		41	4	2
Enel Green Power Panama SA	61		2	
Enel Green Power Romania	52			
EGP HELLAS	275		5	
Enel Green Power Canada Inc.		5		
Enel Green Power North America Inc.	769		28	
Enel Green Power Colombia SAS	7			
Kalenta SA	24			
Enel Green Power Development B.V.		2		
Dominica Energia Limpia S. de R.L. de C.V.	116		5	
Energias Renovables La Mata S.A.P.I. de C.V.	131		6	
Enel Green Power Rsa (PTY) Ltd	219		23	7
Estrellada S.A.	56		3	
Kongul Enerji Sanayi Ve Ticaret Anonim Sirketi	2	8		
PARQUE EOLICO RENAICO SPA	554		23	
Energia Limpia de Palo Alto, S. de R.L. de C.V.	140		5	
Vientos de Altiplano, S. de R.L. de C.V.	115		6	
Edwarme		13		
Enel OpEn Fiber S.p.A.	125			
Endesa Latinoamérica S.A.			1	-
(Subtotal)	***23,613***	***5,071***	***1,233***	***66***
Total	**28,019**	**5,804**	**1,321**	**125**

Millions of euro

	Receivables	Payables	Income	Cost
	at Dec. 31, 2015		**2015**	
Shareholder				
Enel S.p.A	2,432	1,459	136	53
(Subtotal)	*2,432*	*1,459*	*136*	*53*
Other affiliated companies				
Enel Distribuzione S.p.A.	5,566	-	339	-
Enel IberoAmerica S.A.	6,533	231	301	1
Enel Produzione S.p.A.	4,020	-	135	-
Enel Energia S.p.A.			4	
Enel Global Trading S.p.A.	2,005	-	17	-
Enel Servizio Elettrico S.p.A.	-	2,894	-	20
Enel Investment Holding B.V.	-	1,517	0	20
Marcinelle Energie S.A.	-	82	1	-
Enel France S.A.	-	85	-	-
Enel Green Power International B.V.	2,801	15	198	28
ENDESA S.A.	3,216	-	121	-
Enel Sole S.r.l.	101	-	3	-
Enel Green Power S.p.A.			4	
Endesa Latinoamérica S.A.	-	-	1-	-
(Subtotal)	***24,242***	***4,824***	***1,123***	***69***
Total	**26,674**	**6,283**	**1,260**	**122**

For further details of the each relation with related parties please refer to paragraphs "4 Non-current financial assets", 5 Current financial assets", "9 Long-term loans and borrowings", "10 Other non-current financial liabilities", "11 Short-term loans and borrowings" and "12 Other current finacial liabilities".

Contractual commitments and guarantees

The notes issued by the Company under the GMTN programme are guaranteed by Enel S.p.A. Commercial papers issued the context of the Euro Commercial Paper Programme launched in 2005 by the Company are also guaranteed by Enel S.p.A. Furthermore, Enel S.p.A has confirmed their commitment to provide the Company with support until next year's approval of the financial statements, should the Company remain under control of the Enel S.p.A. The Company has not given guarantees to third parties up to the reporting date.

Compensation of Directors

The emoluments of the Company Directors as intended in Section 2:383 (1) of the Dutch Civil Code, which were charged in 2016, amounted to Euro 75 thousand (Euro 75 thousand in 2015) and they are summarized in the following table:

Thousands of euro

	31 Dec. 2016	31 Dec. 2015
A.J.M. Nieuwenhuizen	18.75	18.75
F. Mauritz	18.75	18.75
H. Marseille	18.75	18.75
E. Di Giacomo	18.75	18.75
A. Canta	-	-
Total	**75**	**75**

Fees of the auditors

Ernst & Young Accountants LLP has acted as external auditor for the company since 2011. With reference to Section 2:382 a (1) and (2) of the Netherlands Civil Code, below a summary is provided of services performed by Ernst & Young Accountants LLP and fees paid during the year:

Thousands of euro

	at Dec. 31, 2016	at Dec. 31, 2015
Audit	80	85
Audit related services in conection with GMTN prospectus	30	31
Audit related services in conection with demerger of EGPI BV	4	-
Tax	-	-
Other	-	-
Total	**114**	**116**

Subsequent events

In January 2017 the Company placed green bond backed by a guarantee issued by Enel.

The issue totals 1,250 million euros and provides for repayment in one instalment at maturity on 16 September 2024, as well as the payment of a fixed-rate coupon of 1%, payable annually in arrears in the month of September, as from September 2017. The issue price has been set at 99.001% and the effective yield to maturity is equal to 1.137%.

On 3 March 2017 CHF 225 million bond with maturity 7.5 years were issued.

Other information

Provisions in the articles of association governing the appropriation of profit

Under article 16 of the Company's articles of association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The Company can only make distributions to shareholders from profits qualifying for payment insofar as the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Proposal for profit appropriation

The Board of Directors proposes to the Shareholder the allocation of the net result of the year 2016 amounting of Euro 45 million to the Company's retained earnings.

Amsterdam, 18 April 2017

A.J.M. Nieuwenhuizen
H. Marseille
E. Di Giacomo
A. Canta

Report of the independent audit firm on the 2016 financial statements of Enel Financial International BV

The auditor's report is set forth on the following page.

Independent auditor's report

To: the shareholder and board of directors of Enel Finance International N.V.

Report on the audit of the financial statements 2016

Our opinion

We have audited the financial statements 2016 of Enel Finance International N.V. (the Company), based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Enel Finance International N.V. as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2016
- The following statements for 2016: the income statement, the statements of comprehensive income, changes in equity and cash flows
- The notes, comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements section" of our report.

We are independent of Enel Finance International N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€125 million
Benchmark used	0.5% of total outstanding loans.
Additional explanation	The main activity of Enel Finance International N.V. is to operate as a financing company of the Enel Group, raising funds from third party lenders through bonds issuance, loans and other facilities and in turn lending the funds raised to companies belonging to the Enel Group. Considering these financing activities, we consider the total amount of outstanding loans to be the most relevant benchmark for the stakeholders of the company.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €6,250 thousand which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our audit response
Valuation of (intercompany) loans and other financial receivables	
The main activity of Enel Finance International N.V. is to operate as a financing company of the Enel Group, raising funds from third party lenders through bonds issuance, loans and other facilities and in turn lending the funds raised to companies belonging to the Enel Group (the Enel Group Companies). The Company runs the risk that an Enel Group Company defaults on meeting its obligations to Enel Finance International N.V. As the loans to and receivables from the Enel Group Companies represent almost all assets of the Company, we consider this risk as a key audit matter.	Our audit response includes a consideration of the appropriateness of management's assumptions and estimates in relation to the recoverability of the Enel Group Companies loans and receivables. We challenged those assumptions and estimates based on, amongst others, our analysis of the financial position of significant Enel Group Companies and by identification of indicators of non-recoverability of intercompany loans and receivables including an assessment on whether Enel Group Companies throughout the year have not been able to meet their financial obligations towards the Company.

Risk	Our audit response
To mitigate that risk, the Company obtained a support letter from the ultimate parent company (Enel S.p.A.), in which the parent Company confirmed its commitment to provide the Company with financial support until next year's approval date of the financial statements, should the Company remain under the control of Enel Group. There have been no impairments recorded in 2016.	Further, we have assessed the ability of the parent Company to provide financial support.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the shareholder as auditor of Enel Finance International N.V. for the audit for the year 2011 and have operated as statutory auditor since that year.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, 18 April 2017

Ernst & Young Accountants LLP

Signed by P.A.E. Dirks