Interim Financial Report at September 30, 2016

Contents

Our mission

MISSION 2025

OPEN ENERGY TO MORE PEOPLE.

We will use and extend our global reach and scale to connect more people to secure and sustainable energy, with a special focus on Latin America and Africa.

OPEN ENERGY TO NEW TECHNOLOGIES.

We will lead development and deployment of technologies to generate and distribute energy more sustainably, with a special focus on renewables and smart grids.

OPEN UP NEW WAYS OF MANAGING ENERGY FOR PEOPLE.

We will develop more services built around people's needs to help them use and manage energy more efficiently, with a focus on smart meters and digitisation.

OPEN UP ENERGY TO NEW USES.

We will develop new services that use energy to tackle global challenges, with a focus on connectivity and e-mobility.

OPEN UP TO MORE PARTNERSHIPS.

We will unite a network of collaborators in research, technology, product development, and marketing to build new solutions together.

Enel organizational model

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

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

ii) the convergence of the entire hydroelectric business within the Renewables business line;

iii) the integrated management of dispatching of all renewable and thermal generation plants by Energy Management at the Country level in accordance with the guidelines established by the Global Trading Division.

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

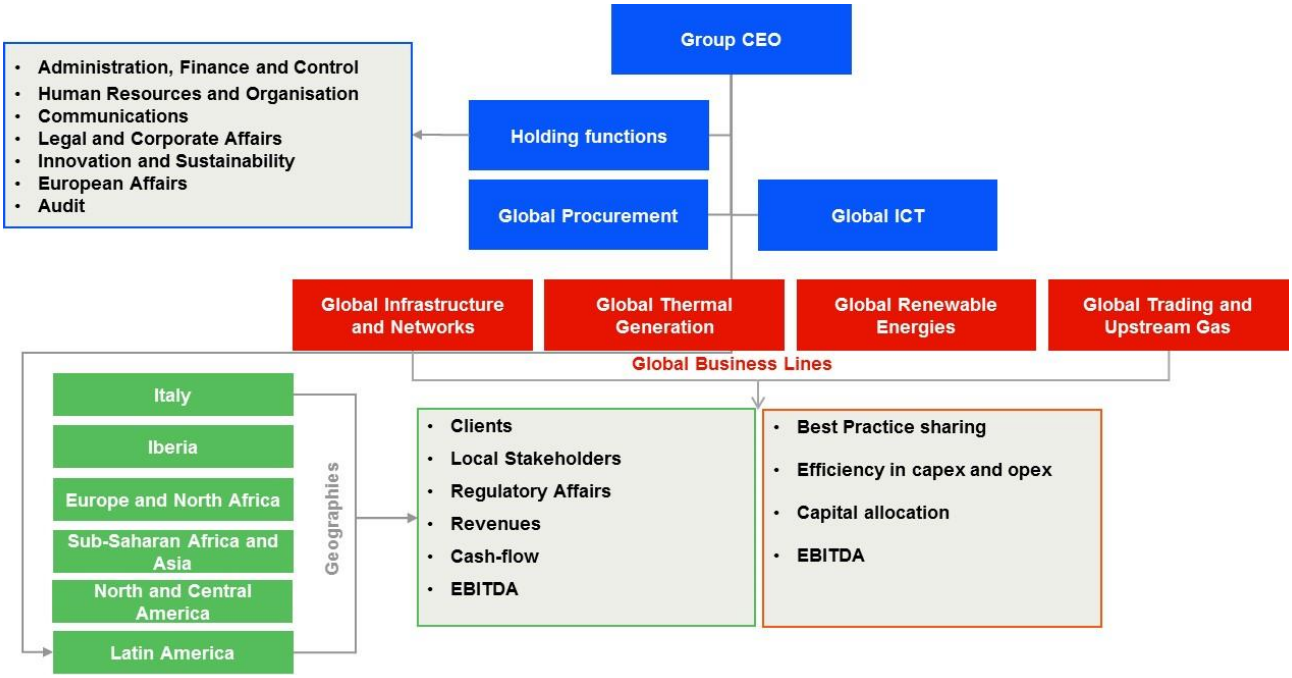
i) *Divisions* (Global Thermal Generation, Global Trading, Global Infrastructure and Networks, Renewable Energy), which are responsible for managing and developing assets, optimizing their performance and the return on capital employed in the various geographical areas in which the Group operates. The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

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

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

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

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



The new organizational structure modifies the structure of reporting, the analysis of the Group's performance and financial position and, accordingly, **the representation of consolidated results as from September 30, 2016**. Consequently, in this Interim Financial Report, the results by business segment are discussed on the basis of the new organizational arrangements and taking account of the provision of IFRS 8 with regard to the "management approach". Similarly, the figures for the first nine months and the 3rd Quarter of 2015 have been restated appropriately for comparative purposes.

Introduction

The Interim Financial Report at September 30, 2016 has been prepared in compliance with Article 154-*ter*, paragraph 5, of Legislative Decree 58 of February 24, 1998, and in conformity with the recognition and measurement criteria set out in the international accounting standards (*International Accounting Standards* - IAS and *International Financial Reporting Standards* - IFRS) issued by the International Accounting Standards Board (IASB), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period. These standards and interpretations taken together are referred to as “IFRS-EU” in the remainder of this report.
Article 154-*ter*, paragraph 5, of the Consolidated Financial Intermediation Act, as recently amended by Legislative Decree 25/2016, no longer requires issuers to publish an interim financial report at the close of the 1st and 3rd Quarters of the year.
The new rules give CONSOB the power to issue a regulation requiring issuers, following an impact analysis, to publish periodic financial information in addition to the annual and semi-annual financial reports. In view of the foregoing, pending a possible modification of the regulatory framework by CONSOB, Enel intends to continue voluntarily publishing an interim financial report at the close of the 1st and 3rd Quarters of each year in order to satisfy investor expectations and conform to consolidated best practice in the main financial markets, while also taking due account of the quarterly reporting requirements of a number of major listed subsidiaries. For a more extensive discussion of accounting policies and measurement criteria, please see note 1 to the condensed consolidated financial statements below.

Definition of performance indicators

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

As regards those indicators, on December 3, 2015, CONSOB issued Communication no. 92543/15, which gives force to the Guidelines issued on October 5, 2015, by the European Securities and Markets Authority (ESMA) concerning the presentation of alternative performance measures in regulated information disclosed or prospectuses published as from July 3, 2016. These Guidelines, which update the previous CESR Recommendation (CESR/05-178b), are intended to promote the usefulness and transparency of alternative performance indicators included in regulated information or prospectuses within the scope of application of Directive 2003/71/EC in order to improve their comparability, reliability and comprehensibility.

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

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

Ordinary gross operating margin: this is calculated by correcting the “gross operating margin” for all items generated by non-recurring transactions, such as acquisitions or disposals of firms (for example, capital gains and losses).
Ordinary operating income: this is calculated by correcting “operating income” for the effects of the non-recurring transactions referred to with regard to the gross operating margin, as well as significant impairment losses on assets following impairment testing or classification under “assets held for sale”.

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

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

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

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

> “Long-term financial receivables (short-term portion)”, “Factoring receivables”, “Securities held to maturity”, “Cash collateral” and “Other financial receivables” included in “Other current financial assets”;
> “Cash and cash equivalents”;
> “Short-term borrowings” and the “Current portion of long-term borrowings”;
> “Provisions for risks and charges” (current portion)”;
> “Other financial payables” included in “Other current liabilities”.

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

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

Net financial debt: a financial structure indicator, determined by:

> “Long-term borrowings” and “Short-term borrowings and the current portion of long-term borrowings”, taking account of “Short-term financial payables” included in “Other current liabilities”;
> net of “Cash and cash equivalents” and “Securities held to maturity”, “Financial investments in funds or portfolio management products measured at fair value through profit or loss” and “Other financial receivables” included in “Other non-current financial assets”; net of the “Current portion of long-term financial receivables”, “Factoring receivables”, “Cash collateral” and “Other financial receivables” included in “Other current financial assets”.

More generally, the net financial debt of the Enel Group is calculated in conformity with paragraph 127 of Recommendation CESR/05-054b implementing Regulation (EC) no. 809/2004 and in line with the CONSOB instructions of July 26, 2007, net of financial receivables and long-term securities.

Summary of results

Performance and financial position

3rd Quarter		Millions of euro	First nine months		
2016	2015		**2016**	2015	
17,309	18,366	Revenue	51,459	55,998	
3,957	4,200	Gross operating margin	12,010	12,161	
3,967	4,200	Ordinary gross operating margin	11,896	11,888	
2,479	1,224	Operating income	7,689	6,308	
2,541	2,829	Ordinary operating income	7,666	7,640	
1,282	293	Net income	3,874	2,922	
923	256	Group net income	2,757	2,089	
958	1,037	Group ordinary net income	2,700	2,641	
		Group net income per share - based on average number of shares in circulation during the period (euro)	0.28	0.22	
		Net capital employed	90,248	89,296	(1)
		Net financial debt	36,821	37,545	(1)
		Shareholders' equity (including non-controlling interests)	53,427	51,751	(1)
		Group shareholders' equity per share in circulation at period-end (euro)	3,45	3,44	(1)
		Cash flows from operating activities	6,766	5,177	
		Capital expenditure on property, plant and equipment and intangible assets (2)	5,216	4,680	

(1) At December 31, 2015.
(2) The figure for the first nine months of 2016 does not include €288 million regarding units classified as "held for sale" (€401 million at September 30, 2015).

Revenue in the first nine months of 2016 amounted to €51,459 million, a decrease of €4,539 million (-8.1%) compared with the first nine months of 2015. The decrease, which was mainly concentrated in the 1st Quarter, is largely attributable to a decline in electricity sales to end users in the mature markets, the reduction in sales of electricity generated (which also reflected the deconsolidation of Slovenské elektrárne at the end of July 2016), a reduction in electricity trading and the negative impact (a total of €1,335 million) of the appreciation of the euro against the currencies of other countries, especially in Latin America. Other factors were the impact of the recognition in the first nine months of 2015 of grants received in Argentina under the provisions of *Resolución* no. 32/2015 and the decline in revenue from sales and grants received in respect of environmental certificates.
The main gains on non-recurring transactions in the first nine months included those on the sales of GNL Quintero and Hydro Dolomiti Enel of €171 million and €124 million respectively, while in the first nine months of 2015 they included the gain on the disposal of SE Hydropower in the amount of €141 million and the negative goodwill and the remeasurement at fair value of the interest already held by the Group following the acquisition of 3Sun totaling €132 million.

Millions of euro	First nine months			
	2016	2015 restated	Change	
Italy	26,335	29,205	(2,870)	-9.8%
Iberia	14,048	15,474	(1,426)	-9.2%
Latin America	7,923	8,125	(202)	-2.5%
Europe and North Africa	3,075	3,658	(583)	-15.9%
North and Central America	672	633	39	6.2%
Sub-Saharan Africa and Asia	18	3	15	-
Other, eliminations and adjustments	(612)	(1,100)	488	44.4%
Total	**51,459**	**55,998**	**(4,539)**	**-8.1%**

The **gross operating margin** amounted to €12,010 million, a decrease of €151 million (-1.2%) compared with the first nine months of 2015, reflecting the negative impact of exchange rate changes in the amount of €397 million and the partial reversal (€550 million) in the first nine months of 2015 of the provision for the disposal of depleted nuclear fuel in the light of new legislation introduced in Slovakia).
These factors were partially offset by the generalized increase in margins in nearly all geographical areas, especially in Latin America (both in generation and electricity distribution and sales) and mature end-user markets (Italy and Spain).

Millions of euro	First nine months			
	2016	2015 restated	Change	
Italy	5,445	5,266	179	3.4%
Iberia	2,970	2,978	(8)	-0.3%
Latin America	2,612	2,388	224	9.4%
Europe and North Africa	609	1,230	(621)	-50.5%
North and Central America	470	435	35	8.0%
Sub-Saharan Africa and Asia	7	(7)	14	-
Other	(103)	(129)	26	20.2%
Total	**12,010**	**12,161**	**(151)**	**-1.2%**

The **ordinary gross operating margin** amounted to €11,896 million, an increase of €8 million on the first nine months of 2015 (+0.1%). Extraordinary items in the first nine months of 2016, which are not computed in the ordinary gross operating margin, amounted to €114 million, including:

- the gains on the disposals of GNL Quintero and Hydro Dolomiti Enel of €171 million and €124 million respectively;
- the losses recognized in respect of the definitive abandonment of the development of a number of hydroelectric projects in Chile and Peru (about €181 million).

In the comparative period of the previous year, extraordinary items amounted to €273 million, the sum of the gain of €141 million on the disposal of SE Hydropower and the negative goodwill and remeasurement at fair value of 3Sun recognized in the total amount of €132 million following the acquisition of control.

Millions of euro	First nine months			
	2016	2015 restated	Change	
Italy	5,321	4,993	328	6.6%
Iberia	2,970	2,978	(8)	-0.3%
Latin America	2,622	2,388	234	9.8%
Europe and North Africa	609	1,230	(621)	-50.5%
North and Central America	470	435	35	8.0%
Sub-Saharan Africa and Asia	7	(7)	14	-
Other	(103)	(129)	26	20.2%
Total	**11,896**	**11,888**	**8**	**0.1%**

Operating income amounted to €7,689 million, an increase of €1,381 million (21.9%) compared with the same period of 2015. The rise reflects the greater impairment losses recognized in the first nine months of 2015 on property, plant and equipment and intangible assets in the amount of €1,605 million (recognized on the generation assets in Russia (€919 million) and renewables assets in Romania (€155 million) as a result of developments in market and regulatory conditions, and on Slovakian assets (€531 million) in order to align their carrying amount with estimated realizable value, which also reduced depreciation charges in the first nine months of 2016. This was only partly offset by the impairment losses recognized in the first nine months of 2016, which amounted to €91 million (of which €52 million in respect of Marcinelle Energie and €39 million in respect of the Upstream Gas assets of Enel Trade and Enel Longanesi) and the decrease in the gross operating margin, discussed above.

Millions of euro	First nine months			
	2016	2015 restated	Change	
Italy	3,824	3,642	182	5.0%
Iberia	1,630	1,630	-	-
Latin America	1,839	1,625	214	13.2%
Europe and North Africa	326	(687)	1,013	-
North and Central America	259	258	1	0.4%
Sub-Saharan Africa and Asia	(5)	(8)	3	37.5%
Other	(184)	(152)	(32)	-21.1%
Total	**7,689**	**6,308**	**1,381**	**21.9%**

Ordinary operating income, which in addition to not including items excluded from the ordinary gross operating margin does not comprise the effects of the impairment losses referred to above, amounted to €7,666 million, an increase of €26 million (0.3%) compared with the same period of 2015.

Millions of euro	First nine months			
	2016	2015 restated	Change	
Italy	3,700	3,369	331	9.8%
Iberia	1,630	1,630	-	-
Latin America	1,849	1,625	224	13.8%
Europe and North Africa	378	918	(540)	-58.8%
North and Central America	259	258	1	0.4%
Sub-Saharan Africa and Asia	(5)	(8)	3	37.5%
Other	(145)	(152)	7	4.6%
Total	**7,666**	**7,640**	**26**	**0.3%**

Group net income in the first nine months of 2016 amounted to €2,757 million, compared with the €2,089 million posted in the same period of the previous year (32.0%). More specifically, the increase in operating income was partly offset by an increase in net financial expense (mainly associated with net expense on derivatives and charges for the unwinding of the discount on provisions for risks and charges) and the negative impact of higher taxes, attributable to the increase in pre-tax income and changes between the two periods in the weight of a number of income components generated by non-recurring transactions that are essentially tax exempt (participation exemption).

Group ordinary net income in the first nine months of 2016 amounted to €2,700 million, an increase of €59 million on the same period of 2015 (€2,641 million in the first nine months of 2015). The following table provides a reconciliation of Group net income and Group ordinary net income, reporting the ordinary items and their respective impacts on net income, excluding the associated tax effects and non-controlling interests.

Millions of euro	First nine months
	2016
Group net income	**2,757**
Gain on disposal of Hydro Dolomiti Enel	(122)
Loss on abandonment of hydroelectric projects in Chile and Peru	50
Gain on disposal of GNL Quintero	(49)
Impairment from adjustment to estimated realizable value of Marcinelle Energie	34
Impairment from adjustment to estimated realizable value of Upstream Gas assets	30
Group ordinary net income	**2,700**

Net capital employed, including net assets held for sale of €75 million, amounted to €90,248 million at September 30, 2016 (€89,296 million at December 31, 2015). It is funded by shareholders' equity attributable to shareholders of the Parent Company and non-controlling interests of €53,427 million and net financial debt of €36,821 million. At September 30, 2016, the debt/equity ratio was 69% (73% at December 31, 2015).

Net financial debt, excluding debt attributable to assets held for sale, amounted to €36,821 million at September 30, 2016, down €724 million compared with €37,545 million at December 31, 2015, reflecting the adverse effect of borrowing for investments in the period and the payment of dividends, more than offset by operating cash flows and developments in exchange rates, which affected the part of the debt denominated in currencies other than the euro.

Capital expenditure amounted to €5,216 million in the first nine months of 2016, an increase of €536 million compared with the same period of 2015, essentially attributable to renewables generation activities abroad, especially in North and Central America.

Millions of euro	First nine months			
	2016	2015 restated	Change	
Italy	1,170	1,135 (3)	35	3.1%
Iberia	646	585	61	10.4%
Latin America	1,994	2,112	(118)	-5.6%
Europe and North Africa	144 (1)	145 (4)	(1)	-0.7%
North and Central America	989	479	510	-
Sub-Saharan Africa and Asia	253	200	53	26.5%
Other, eliminations and adjustments	20 (2)	24	(4)	-16.7%
Total	**5,216**	**4,680**	**536**	**11.5%**

(1) Does not include €283 million regarding units classified as “held for sale”.
(2) Does not include €5 million regarding units classified as “held for sale”.
(3) Does not include €1 million regarding units classified as “held for sale”.
(4) Does not include €400 million regarding units classified as “held for sale”.

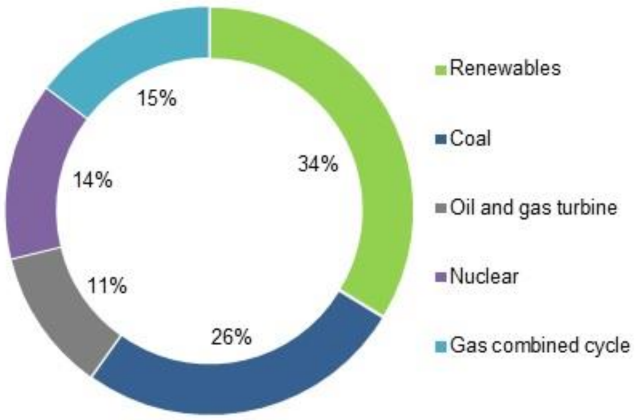
Operations

3rd Quarter							First nine months					
Italy	Abroad	**Total**	Italy	Abroad	**Total**		Italy	Abroad	**Total**	Italy	Abroad	**Total**
	2016			2015				**2016**			2015	
14.9	52.1	**67.0**	18.0	56.1	**74.1**	Net electricity generated by Enel (TWh)	44.5	150.7	**195.2**	52.5	161.2	**213.7**
57.5	52.7	**110.2**	60.8	54.1	**114.9**	Electricity transported on the Enel distribution network (TWh)	167.3	152.4	**319.7**	171.0	151.3	**322.3**
24.2	43.5	**67.7**	23.7	43.6	**67.3**	Electricity sold by Enel (TWh) (1)	70.1	128.6	**198.7**	65.9	129.1	**195.0**
0.5	1.2	**1.7**	0.3	1.1	**1.4**	Gas sales to end users (billions of m^3)	3.1	4.3	**7.4**	2.8	3.9	**6.7**
						Employees at period-end (no.)(2)(3)	32,213	30,259	**62,472**	33,040	34,874	**67,914**

(1) Excluding sales to resellers.
(2) Of which 53 in units classified as “held for sale” at September 30, 2016 (4,301 at December 31, 2015).
(3) At December 31, 2015.

Net electricity generated by Enel in the first nine months of 2016 decreased by 18.5 TWh compared with the same period of 2015 (-8.7%). More specifically, the decrease reflects a reduction of 16.5 TWh in thermal and nuclear generation, of which 10.4 TWh abroad, as well as a decline in renewables generation, where although capacity expanded, the poor water conditions in Italy and the drought in a number of Latin American countries had a negative impact. Finally, 33.7% of the electricity generated by Enel in the first nine months of 2016 came from renewable sources (31.8% in the first nine months of 2015).

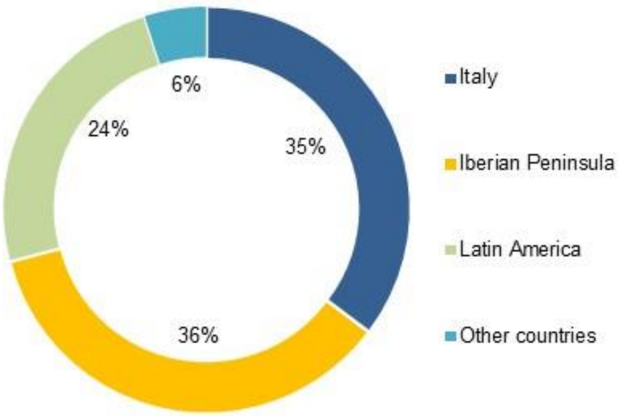
Net electricity generation by source (first nine months of 2016)



Electricity transported on the Enel distribution network in the first nine months of 2016 amounted to 319.7 TWh, down 2.6 TWh (-0.8%), with the decline affecting all countries with the exception of Chile, Argentina, Spain and Romania.

Electricity sold by Enel in the first nine months of 2016 amounted to 198.7 TWh, an increase of 3.7 TWh (+1.9%) compared with the same period of 2015, with an especially large increase in Italy (+4.2 TWh).

Electricity sold by geographical area (first nine months of 2016)



Gas sales in the first nine months of 2016 amounted to 7.4 billion cubic meters, up 0.7 billion cubic meters compared with the same period of the previous year.

At September 30, 2016, Enel Group **employees** numbered 62,472, of whom about 48.4% employed in Group companies headquartered abroad. The decrease of 5,442 is partially attributable to the net balance of new hires and terminations (-1,036), while the main factor was changes in the scope of consolidation (-4,406), including the deconsolidation of Slovenské elektrárne and its subsidiaries at the end of July 2016.

No.	at Sept. 30, 2016	at Dec. 31, 2015 restated
Italy	29,565	30,374
Iberia	9,846	10,225
Latin America	12,755	12,802
Europe and North Africa (1)	6,082	10,367
North and Central America	884	810
Sub-Saharan Africa and Asia	180	120
Other, eliminations and adjustments	3,160	3,216
Total	**62,472**	**67,914**

(1) Of which 53 in units classified as "held for sale" at September 30, 2016 (4,301 at December 31, 2015).

Group performance

3rd Quarter				Millions of euro	First nine months			
2016	2015	Change			**2016**	2015	Change	
17,309	18,366	(1,057)	-5.8%	Total revenue	51,459	55,998	(4,539)	-8.1%
13,336	14,068	(732)	-5.2%	Total costs	39,319	43,915	(4,596)	-10.5%
(16)	(98)	82	83.7%	Net income/(expense) from commodity contracts measured at fair value	(130)	78	(208)	-
3,957	**4,200**	**(243)**	**-5.8%**	**Gross operating margin**	**12,010**	**12,161**	**(151)**	**-1.2%**
1,478	2,976	(1,498)	-50.3%	Depreciation, amortization and impairment losses	4,321	5,853	(1,532)	-26.2%
2,479	**1,224**	**1,255**	**-**	**Operating income**	**7,689**	**6,308**	**1,381**	**21.9%**
625	214	411	-	Financial income	3,166	2,924	242	8.3%
1,275	935	340	36.4%	Financial expense	5,343	4,922	421	8.6%
(650)	**(721)**	**71**	**9.8%**	**Total net financial income/(expense)**	**(2,177)**	**(1,998)**	**(179)**	**-9.0%**
15	**28**	**(13)**	**-**	**Share of income/(expense) from equity investments accounted for using the equity method**	**67**	**36**	**31**	**86.1%**
1,844	**531**	**1,313**	**-**	**Income before taxes**	**5,579**	**4,346**	**1,233**	**28.4%**
562	238	324	-	Income taxes	1,705	1,424	281	19.7%
1,282	**293**	**989**	**-**	**Net income from continuing operations**	**3,874**	**2,922**	**952**	**32.6%**
-	**-**	-	-	**Net income from discontinued operations**	**-**	**-**	**-**	-
1,282	**293**	**989**	**-**	**Net income (Group and non-controlling interests)**	**3,874**	**2,922**	**952**	**32.6%**
923	256	667	-	Net income attributable to shareholders of Parent Company	2,757	2,089	668	32.0%
359	37	322	-	Net income attributable to non-controlling interests	1,117	833	284	34.1%

Revenue

3rd Quarter				Millions of euro	First nine months			
2016	2015	Change			**2016**	2015	Change	
10,765	11,928	(1,163)	-9.8%	Sale of electricity	31,342	34,979	(3,637)	-10.4%
2,477	2,328	149	6.4%	Transport of electricity	7,164	6,993	171	2.4%
111	199	(88)	-44.2%	Fees from network operators	370	597	(227)	-38.0%
544	331	213	64.4%	Transfers from institutional market operators	1,074	935	139	14.9%
602	583	19	3.3%	Sale of gas	2,751	2,875	(124)	-4.3%
70	66	4	6.1%	Transport of gas	390	358	32	8.9%
174	-	174	-	Gains on the disposal of subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	348	184	164	89.1%
-	29	(29)	-	Gains from remeasurement at fair value after changes in control	4	74	(70)	-94.6%
2,566	2,902	(336)	-11.6%	Other services, sales and revenue	8,016	9,003	(987)	-11.0%
17,309	**18,366**	**(1,057)**	**-5.8%**	**Total**	**51,459**	**55,998**	**(4,539)**	**-8.1%**

In the first nine months of 2016 revenue from the **sale of electricity** amounted to €31,342 million (€10,765 in the 3rd Quarter of 2016), a decrease of €3,637 million (€1,163 in the 3rd Quarter of 2016) compared with the same period of the previous year (-10.4% in the first nine months and -9.8% in the 3rd Quarter of 2016). The decrease is largely attributable to the following factors:

> a reduction of €1,636 million in revenue from wholesale electricity sales (€878 million in the 3rd Quarter of 2016), mainly due to a decline in volumes against a background of falling prices on Italian electricity exchanges (especially in transactions with the Energy Markets Operator (GME). These effects were compounded by the reduction in revenue associated with the deconsolidation of Slovenské elektrárne at the end of July 2016;

> a reduction of €1,077 million in revenue from electricity sales to end users (€108 million in the 3rd Quarter of 2016) mainly attributable to the mature markets in Italy and Spain. More specifically, in Spain the impact of an increase in amounts sold was more than offset by a reduction in average sales prices. This was accompanied by a decline in revenue in Latin America, which reflected the depreciation of local currencies against the euro, especially in Colombia and Brazil;

> a decrease of €924 million in revenue from electricity trading (€177 million in the 3rd Quarter of 2016), reflecting the combined impact of a reduction in volumes handled and in average prices.

Revenue from the **transport of electricity** amounted to €7,164 million in the first nine months of 2016, an increase of €171 million on the same period of 2015, while in the 3rd Quarter of 2016 it totaled €2,477 million, an increase of €149 million. The rise was mainly concentrated in Italy, were the increase in the volumes transported to serve the free market more than offset the contraction in volumes on the regulated market and the decline in distribution rates.

Revenue related to **transfers from institutional market operators** amounted to €1,074 in the first nine months of 2016 (€935 million in the first nine months of 2015), up €139 million (€213 million in the 3rd Quarter of 2016) on the same period of the previous year. More specifically, the increase in transfers was mainly attributable to a rise in incentives received in the form of feed-in premiums (formerly green certificates) by the renewables generation companies in Italy. This factor was partly offset by a reduction in compensation received in the Spanish electrical system for generation in the island areas as a result of the decline in provisioning costs for fuels.

Revenue from the **sale of gas** in the first nine months of 2016 amounted to €2,751 million, a decrease of €124 million (-4.3%), while in the 3rd Quarter of 2016 it amounted to €602 million, up €19 million (+3.3%) compared with the same period of the previous year. The decline in the first nine months of the two years under review essentially reflects the fall in average sales prices in Iberia.

Revenue from the **transport of gas** in the first nine months of 2016 amounted to €390 million (€70 million in the 3rd Quarter of 2016), an increase of €32 million in the period (+8.9%), especially due to an increase in volumes wheeled.

Gains on the disposal of entities in the first nine months of 2016 amounted to €348 million (€184 million in the first nine months of 2015) and mainly regarded:

- the gain on the sale of GNL Quintero (an associated company in which the Group held 20%) in the 3rd Quarter for €171 million;
- the gain of €124 million from the sale of Hydro Dolomiti Enel in the 1st Quarter of 2016;
- the gain on the sale of Compostilla RE (€19 million) in the first nine months of 2016;
- the positive price adjustment of €30 million on the sale of ENEOP at the end of 2015.

In the first nine months of 2015, the item mainly reported the gains from the sales of SE Hydropower (€141 million) and SF Energy (€15 million).

Gains from remeasurement at fair value after changes in control in the first nine months of 2016 amounted to €4 million (€74 million in the first nine months of 2015). The gains regarding 2016 included the adjustment to fair value of the assets and liabilities of the Group following the loss of control that occurred with the sale on May 1, 2016, of 65% of Drift Sand Wind Project. The gains recognized in the first nine months of 2015 regarded the adjustment to fair value of the assets and liabilities pertaining to the Group already held by Enel prior to the acquisition of full control of 3Sun (€45 million) and ENEOP (€29 million).

Revenue under **other services, sales and revenue** in the first nine months of 2016 amounted to €8,016 million (€9,003 million in the corresponding period of the previous year), while in the 3rd Quarter of 2016 it amounted to €2,566 million (€2,902 million in the corresponding period of the previous year), a decrease of €987 million compared with the first nine months of 2015 (-11.0%) and €336 million (-11.6%) on the 3rd Quarter 2015.

The change in both the first nine months was mainly due to:

- a decrease of 671 million in revenue from sales and transfers received in respect of environmental certificates, mainly reflecting the decline in transactions in those certificates and the impact of the recognition in the first nine months of 2015 of revenue from sales and the measurement at fair value of environmental certificates (€173 million) under the provisions of Regulation (EU) no. 389/2013;
- a decrease of €236 million in revenue attributable to the impact of the recognition of grants received in the first nine months of 2015 in Argentina following the enactment of *Resolución* no. 32/2015;
- the impact of the recognition in the first nine months of 2015 of the negative goodwill on the acquisition of 3Sun of €87 million;
- the recognition in the first nine months of 2016 of positive price adjustments in respect of the acquisitions of Parque Talinay Oriente in Chile (€19 million) and Stipa Nayaá in Mexico (€19 million), both completed in 2012.

Costs

3rd Quarter				Millions of euro	First nine months			
2016	2015	Change			**2016**	2015	Change	
4,816	5,627	(811)	-14.4%	Electricity purchases	13,508	16,505	(2,997)	-18.2%
1,218	1,523	(305)	-20.0%	Consumption of fuel for electricity generation	3,279	4,339	(1,060)	-24.4%
1,843	2,269	(426)	-18.8%	Fuel for trading and gas for sale to end users	6,536	7,345	(809)	-11.0%
282	194	88	45.4%	Materials	789	864	(75)	-8.7%
1,089	1,126	(37)	-3.3%	Personnel	3,321	3,464	(143)	-4.1%
3,726	3,569	157	4.4%	Services, leases and rentals	11,128	11,025	103	0.9%
741	107	634	-	Other operating expenses	1,858	1,365	493	36.1%
(379)	(347)	(32)	-9.2%	Capitalized costs	(1,100)	(992)	(108)	-10.9%
13,336	**14,068**	**(732)**	**-5.2%**	**Total**	**39,319**	**43,915**	**(4,596)**	**-10.5%**

Costs for **electricity purchases** in the first nine months of 2016 decreased by €2,997 million on the same period of 2015 (€811 million in the 3rd Quarter of 2016), a contraction of 18.2% (-14.4% on the 3rd Quarter of 2015). In both periods under review, these developments mainly reflected the impact of the decline in purchases through bilateral contracts on domestic and foreign markets (€2,339 million and €439 million respectively in the first nine months and in the 3rd Quarter of 2016) and a reduction in purchases on electricity exchanges (€626 million in the first nine months and €337 million in the 3rd Quarter of 2016).

Costs for the **consumption of fuel for electricity generation** in the first nine months of 2015 amounted to €3,279 million, a decrease of €1,060 million (-24.4%) on the same period of the previous year, while in the 3rd Quarter of 2016, they totaled €1,218 million, a decrease of €305 million (-20.0%), mainly reflecting a reduction in requirements compared with the same period of 2015 as a result of a decline in the use of plants powered by conventional resources.

Costs for the purchase of **fuel for trading and gas for sale to end users** came to €6,536 million in the first nine months of 2016 (€1,843 million in the 3rd Quarter of 2016), a decrease of €809 million on the first nine months of 2015 and €426 million on the 3rd Quarter of 2015. The change reflects the decline in the average prices of the commodities and the benefits accorded following agreements under the price review process for a number of gas supply contracts (€311 million).

Costs for **materials** in the first nine months of 2016 came to €789 million, a decrease of €75 million, and to €282 million in the 3rd Quarter of 2016, an increase of €88 million compared with the same period of the previous year. The decline in the first nine months was mainly due to the termination of transactions in green certificates and a substantial decline in the trading of EUAs and CERs.

Personnel costs in the first nine months of 2016 amounted to €3,321 million, a decrease of €143 million (-4.1%) compared with the same period of the previous year. In the 3rd Quarter of 2016, costs came to €1,089 million, a decrease of €37 million (-3.3%) compared with the same period of the previous year. In both periods, costs benefitted from the reduction in the average workforce in Italy and Spain, partly attributable to the early retirement incentive mechanisms introduced in previous years and still being implemented. These factors were accompanied by the reduction of costs due to the deconsolidation of Slovenské elektrárne.

The Enel Group workforce at September 30, 2016 numbered 62,472, of whom 30,259 employed outside of Italy. The workforce decreased by 5,442 in the first nine months of 2016, reflecting the balance between new hires and terminations (-1,036) and the change in the scope of consolidation (-4,406) essentially reflecting the deconsolidation of the Slovakian companies.

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

Balance at December 31, 2015	**67,914**
Hirings	2,699
Terminations	(3,735)
Change in scope of consolidation	(4,406)
Balance at September 30, 2016	**62,472**

Costs for **services, leases and rentals** in the first nine months of 2016 amounted to €11,128 million, an increase of €103 million on the same period of 2015, while in the 3rd Quarter of 2016 they amounted to €3,726 million, an increase of €157 million on the 3rd Quarter of 2015. Developments in the two periods were mainly associated with the rise in costs for wheeling services, partly offset by exchange rate effects, especially in Latin America, which reduced the associated costs.

Other operating expenses in the first nine months of 2016 amounted to €1,858 million, an increase of €493 million on the same period of 2015, while in the 3rd Quarter of 2016 they amounted to €741 million, an increase of €634 million compared with the same period of the previous year. The rise in the first nine months essentially reflects:

> the reversal of the nuclear waste disposal provision in Slovakia in the amount of €550 million in the 3rd Quarter of 2015 following an analysis by independent experts, who took account of the regulatory changes introduced in July 2015 by the Slovakian Government, which approved a new strategy for handling the “back end” of spent nuclear fuel;

> the losses posted in the 3rd Quarter of 2016 in Latin America following the renunciation of water use rights for six development projects after an analysis of their profitability and socio-economic impact. More specifically, they included the following projects: Puelo, Futaleufú, Bardón, Chillán 1 and 2 and Huechún in Chile (€163 million) and Curibamba in Peru (€18 million);

> the increase of €77 million in charges for environmental certificates, due mainly to the increase in the charge for emissions allowances (connected with an increase in the unit costs of allowances, partly offset by a reduction in emissions) and the increase in charges for white certificates due to the rise in volumes purchased, only partly offset by the reduction in costs for green certificates following the elimination in Italy of the obligation for thermal generation;

> a reduction of €211 million in taxes and duties, largely attributable to:
  - a reduction of €92 million in taxes on generation in Spain under Law no. 15/2012 as a result of the decline in amounts generated;
  - the elimination of the tax on nuclear generation in the Spanish region of Catalonia due a ruling of unconstitutionality, with a benefit of €78 million;
  - the reduction in environmental taxes in a number of regions and in Italy as a result of a reduction in local property taxes, partly reflecting a number of amendments of the taxation of industrial plant;

> a reduction of €56 million in costs due to the combined effect of the provision recognized in the first nine months of 2015 and its subsequent reversal in the first nine months of 2016 (€28 million) in respect of obligations for the construction and development of the Girabolhos hydroelectric plant in Portugal;

> a reduction of €57 million in costs for reimbursements to customers for extended interruptions of service in Italy, which in 2015 had reflected the impact of particularly severe weather events.

In the first nine months of 2016 **capitalized costs** amounted to €1,100 million, while in the 3rd Quarter of 2016 they amounted to €379 million, an increase of about €108 million. The rise essentially reflects infrastructure and network operations in Italy and renewables generation abroad.

Net income/(expense) from commodity contracts measured at fair value showed net expense of €130 million in the first nine months of 2016 (net income of €78 million in the same period of the previous year) and net expense of €16 million in the 3rd Quarter of 2016 (net expense of €98 million in the same period of 2015).
More specifically, the net expense for the first nine months of 2016 was essentially attributable to net realized income in the period totaling €44 million, which was more than offset by net unrealized expense from the fair value measurement of derivatives positions open at the end of the period in the amount of €174 million.

Depreciation, amortization and impairment losses in the first nine months of 2016 amounted to €4,321 million, a decrease of €1,532 million, while in the 3rd Quarter of 2016 they amounted to €1,478 million, a decrease of €1,498 million. The decrease in the first nine months of 2016 essentially reflected:

> a decline of €1,541 million in impairment on property, plant and equipment and intangible assets. In the first nine months of 2016, the item included €39 million and €52 million in respect of the adjustment to estimated realizable value of the upstream gas assets under development in Algeria (the Isarene permit) and the assets of Marcinelle Energie, while in the first nine months of 2015 it included the impairment on the Enel Russia CGU (€919 million) and Enel Green Power Romania CGU (€155 million), as well as on Slovenské elektrárne (€531 million) to align the value of net assets to estimated realizable value;
> a reduction of €13 million in depreciation and amortization, reflecting the effect of the impairment losses recognized in 2015, exchange rate effects and the deconsolidation of Slovenské elektrárne, partly offset by the start of depreciation on a number of plants, especially renewables generation plants;
> an increase of €22 million in net writedowns of trade receivables.

Operating income in the first nine months of 2016 amounted to €7,689 million, an increase of €1,381 million (+21.9%), while in the 3rd Quarter of 2016 it came to €2,479 million, an increase of €1,255 million on the corresponding period of the previous year.

Net financial expense increased by €179 million in the first nine months of 2016 and decreased by €71 million in the 3rd Quarter of 2016.
More specifically, the changes mainly reflect:

> an increase of €1,929 million in net expense on derivatives, only partly offset by net exchange rate gains of €1,873 million;
> a decrease of €116 million in net interest expense, mainly as a result of the contraction in average financial debt;
> an increase of €112 million in charges for the accretion of provisions for risks and charges, mainly in respect of the early retirement incentive provision (+€72 million) and other provisions for risks and charges (€68 million), essentially reflecting the effects of ENRE Resolution no. 1/2016 concerning a number of regulatory fines levied in Argentina. This factor was offset by a reduction of about €21 million in charges for the unwinding of the discount on employee benefits;
> a decrease of €107 million in other income, largely due to the impact of the recognition in the first nine months of 2015 of income connected with regulatory items involving electricity distribution activities in Argentina following the changes introduced with Resolutions nos. 476/2015 and 1208/2015 to the CAMMESA remuneration mechanism (€78 million) and interest recognized in the first nine months of 2015 on the reimbursement of the environmental tax in the region of Estremadura in Spain (€10 million).

The **share of income/(expense) from equity investments accounted for using the equity method** in the first nine months of 2016 showed net income of €67 million, while in the 3rd Quarter of 2016 net income was €15 million.

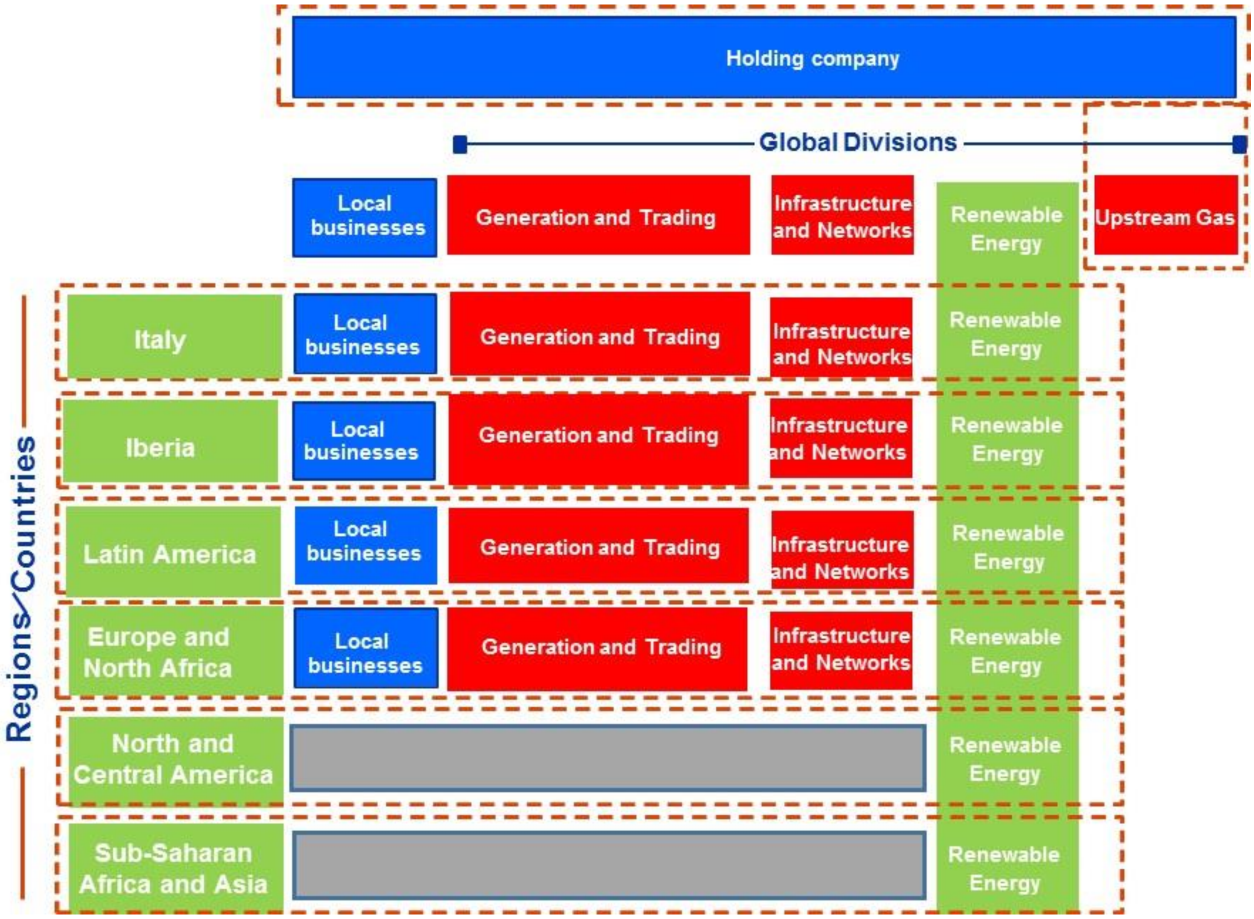
Income taxes in the first nine months of 2016 amounted to €1,705 million, equal to 30.6% of taxable income (compared with 32.8% in the first nine months of 2015), while the tax liability for the 3rd Quarter of 2016 was an estimated €562 million. The decrease in the effective tax rate in the first nine months of 2016 on the corresponding period of the previous year reflects the reduction of the tax rate in Spain, partly offset by changes between the two periods in the weight of a number of income components generated by non-recurring transactions that are essentially tax exempt (participation exemption).

Results by business area

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

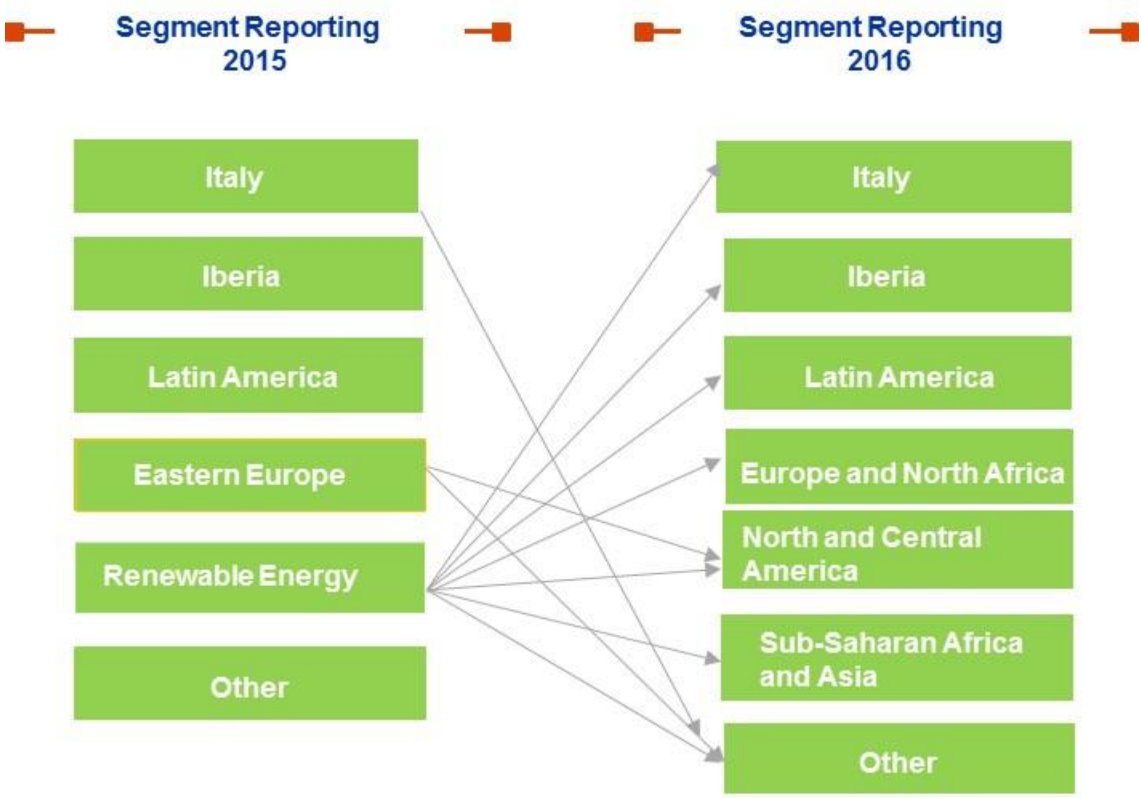
Taking account of the provisions of IFRS 8 regarding the management approach, the new organization modified the structure of reporting, as well as the representation and analysis of Group performance and financial position, as from September 30, 2016. More specifically, performance by business area reported in this Interim Financial Report was determined by designating the Regions and Countries perspective as the primary reporting segment. In addition, account was also taken of the possibilities for the simplification of disclosures associated with the materiality thresholds also established under IFRS 8 and, therefore, the item "Other, eliminations and adjustments" includes not only the effects from the elimination of intersegment transactions, but also the figures for the Parent Company, Enel SpA, and the Upstream Gas Division.

The following chart outlines these organizational arrangements.



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

For the Interim Financial Report at September 30, 2016, the new organization involved a revision of the disclosures provided pursuant to "IFRS 8 - *Operating Segments*", discussed in note 4 below, which have been accompanied by appropriately restated comparative figures for the first nine months and 3rd Quarter of 2015 to ensure full comparability.



Results by business area for the 3rd Quarters of 2016 and 2015

3rd Quarter of 2016 (1)

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Revenue from third parties	8,600	4,863	2,818	742	210	9	67	17,309
Revenue from transactions with other segments	86	14	-	29	-	-	(129)	-
Total revenue	**8,686**	**4,877**	**2,818**	**771**	**210**	**9**	**(62)**	**17,309**
Net income/(expense) from commodity contracts measured at fair value	(38)	23	4	(5)	(1)	-	1	(16)
Gross operating margin	**1,766**	**997**	**882**	**188**	**143**	**6**	**(25)**	**3,957**
Depreciation, amortization and impairment losses	524	461	290	101	83	9	10	1,478
Operating income	**1,242**	**536**	**592**	**87**	**60**	**(3)**	**(35)**	**2,479**

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

3rd Quarter of 2015 restated (1)

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Revenue from third parties	9,398	5,050	2,606	1,130	195	-	(13)	18,366
Revenue from transactions with other segments	265	49	6	75	-	-	(395)	-
Total revenue	**9,663**	**5,099**	**2,612**	**1,205**	**195**	**-**	**(408)**	**18,366**
Net income/(expense) from commodity contracts measured at fair value	6	(84)	(1)	(17)	(1)	-	(1)	(98)
Gross operating margin	**1,574**	**898**	**897**	**767**	**129**	**(7)**	**(58)**	**4,200**
Depreciation, amortization and impairment losses	513	451	240	1,708	55	1	8	2,976
Operating income	**1,061**	**447**	**657**	**(941)**	**74**	**(8)**	**(66)**	**1,224**

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

Results by business area for the first nine months of 2016 and 2015

First nine months of 2016 [1]

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	25,841	14,002	7,906	2,929	671	18	92	51,459
Revenue from transactions with other segments	494	46	17	146	1	-	(704)	-
Total revenue	**26,335**	**14,048**	**7,923**	**3,075**	**672**	**18**	**(612)**	**51,459**
Net income/(expense) from commodity contracts measured at fair value	(145)	22	4	(13)	(1)	-	3	(130)
Gross operating margin	**5,445**	**2,970**	**2,612**	**609**	**470**	**7**	**(103)**	**12,010**
Depreciation, amortization and impairment losses	1,621	1,340	773	283	211	12	81	4,321
Operating income	**3,824**	**1,630**	**1,839**	**326**	**259**	**(5)**	**(184)**	**7,689**
Capital expenditure	**1,170**	**646**	**1,994**	**144** [2]	**989**	**253**	**20** [3]	**5,216**

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €283 million regarding units classified as “held for sale”.
(3) Does not include €5 million regarding units classified as “held for sale”.

First nine months of 2015 restated [1]

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	28,446	15,369	8,115	3,423	631	2	12	55,998
Revenue from transactions with other segments	759	105	10	235	2	1	(1,112)	-
Total revenue	**29,205**	**15,474**	**8,125**	**3,658**	**633**	**3**	**(1,100)**	**55,998**
Net income/(expense) from commodity contracts measured at fair value	110	(16)	(4)	(14)	(1)	-	3	78
Gross operating margin	**5,266**	**2,978**	**2,388**	**1,230**	**435**	**(7)**	**(129)**	**12,161**
Depreciation, amortization and impairment losses	1,624	1,348	763	1,917	177	1	23	5,853
Operating income	**3,642**	**1,630**	**1,625**	**(687)**	**258**	**(8)**	**(152)**	**6,308**
Capital expenditure	**1,135** [2]	**585**	**2,112**	**145** [3]	**479**	**200**	**24**	**4,680**

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €1 million regarding units classified as “held for sale”.
(3) Does not include €400 million regarding units classified as “held for sale”.

In addition to the foregoing, the Group monitors performance at the global division level, classifying results by business line. The following table presents the gross operating margin for the two periods under review, offering visibility of performance not only from a region/country perspective but also by division/business line.

Gross operating margin

Millions of euro	Local businesses						Global divisions														
	End-user markets			Services			Generation and Trading			Infrastructure and Networks			Renewable Energy			Other			Total		
	First nine months			First nine months			First nine months			First nine months			First nine months			First nine months					
	2016	2015 restated	Change	2016	2015 restated	Change	2016	2015 restated	Change	2016	2015 restated	Change	2016	2015 restated	Change	2016	2015 restated	Change	2016	2015 restated	Change
Italy	1,373	971	402	81	114	(33)	524	276	248	2,670	2,726	(56)	797	1,179	(382)	-	-	-	5,445	5,266	179
Iberia	592	477	115	9	62	(53)	668	730	(62)	1,393	1,362	31	308	347	(39)	-	-	-	2,970	2,978	(8)
Latin America	-	-	-	(76)	(53)	(23)	564	224	340	1,042	1,035	7	1,082	1,182	(100)	-	-	-	2,612	2,388	224
Argentina	-	-	-	-	-	-	61	48	13	123	97	26	19	27	(8)	-	-	-	203	172	31
Brazil	-	-	-	(25)	(24)	(1)	55	35	20	292	300	(8)	144	113	31	-	-	-	466	424	42
Chile	-	-	-	(51)	(29)	(22)	350	2	348	186	187	(1)	405	509	(104)	-	-	-	890	669	221
Colombia	-	-	-	-	-	-	30	32	(2)	296	310	(14)	421	424	(3)	-	-	-	747	766	(19)
Peru	-	-	-	-	-	-	68	107	(39)	145	141	4	87	110	(23)	-	-	-	300	358	(58)
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	6	(1)	7	-	-	-	6	(1)	7
Europe and North Africa	31	17	14	1	2	(1)	309	913	(604)	173	200	(27)	95	98	(3)	-	-	-	609	1,230	(621)
Romania	33	19	14	1	2	(1)	4	-	4	173	200	(27)	55	60	(5)	-	-	-	266	281	(15)
Russia	-	-	-	-	-	-	126	119	7	-	-	-	-	-	-	-	-	-	126	119	7
Slovakia	-	(1)	1	-	-	-	191	790	(599)	-	-	-	-	-	-	-	-	-	191	789	(598)
Other countries	(2)	(1)	(1)	-	-	-	(12)	4	(16)	-	-	-	40	38	2	-	-	-	26	41	(15)
North and Central America	-	-	-	-	-	-	-	-	-	-	-	-	470	435	35	-	-	-	470	435	35
United States and Canada	-	-	-	-	-	-	-	-	-	-	-	-	322	257	65	-	-	-	322	257	65
Mexico	-	-	-	-	-	-	-	-	-	-	-	-	65	34	31	-	-	-	65	34	31
Panama	-	-	-	-	-	-	-	-	-	-	-	-	69	105	(36)	-	-	-	69	105	(36)
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	14	39	(25)	-	-	-	14	39	(25)
Sub-Saharan Africa and Asia	-	-	-	-	-	-	-	-	-	-	-	-	7	(7)	14	-	-	-	7	(7)	14
South Africa	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(7)	4	-	-	-	(3)	(7)	4
India	-	-	-	-	-	-	-	-	-	-	-	-	10	-	10	-	-	-	10	-	10
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	(26)	(12)	(14)	-	-	-	(37)	(36)	(1)	(40)	(81)	41	(103)	(129)	26
Total	1,996	1,465	545	15	125	(134)	2,039	2,131	(356)	5,278	5,323	(65)	2,722	3198	(530)	(40)	(81)	41	12,010	12,161	(499)

Italy

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
9,188	11,853	(2,665)	-22.5%	Thermal	26,479	32,614	(6,135)	-18.8%
3,959	4,466	(507)	-11.4%	Hydroelectric	12,530	14,562	(2,032)	-14.0%
1,449	1,445	4	0.3%	Geothermal	4,384	4,321	63	1.5%
208	189	19	10.1%	Wind	973	880	93	10.6%
39	56	(17)	-30.4%	Other sources	89	142	(53)	-37.3%
14,843	**18,009**	**(3,166)**	**-17.6%**	**Total net generation**	**44,455**	**52,519**	**(8,064)**	**-15.4%**

In the first nine months of 2016, net electricity generation amounted to 44,455 million kWh (14,843 million kWh in the 3rd Quarter 2016), a decline of 15.4% (-17.6% in the 3rd Quarter 2016 compared with the same period of 2015) or 8,064 million kWh. In a scenario that penalized hydroelectric generation (down 2,032 million kWh, mainly owing to the water conditions for reservoirs and run-of-the-river plants), Enel's thermal plants reported a drop in output of 6,135 million kW, reflecting a general reduction in use, particularly at the Brindisi Sud plant due to maintenance performed during the period.
Similar developments were seen in the 3rd Quarter of 2016.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2016		2015 restated		Change			**2016**		2015 restated		Change	
36	0.4%	84	0.6%	(48)	-57.1%	Fuel oil	81	0.3%	243	0.7%	(162)	-66.7%
2,810	28.4%	2,571	19.9%	239	9.3%	Natural gas	6,373	22.2%	5,987	17.0%	386	6.4%
6,859	69.5%	10,192	78.7%	(3,333)	-32.7%	Coal	21,674	75.9%	28,683	81.4%	(7,009)	-24.4%
170	1.7%	103	0.8%	67	65.0%	Other fuels	445	1.6%	330	0.9%	115	34.8%
9,875	**100.0%**	**12,950**	**100.0%**	**(3,075)**	**-23.7%**	**Total**	**28,573**	**100.0%**	**35,243**	**100.0%**	**(6,670)**	**-18.9%**

Gross thermal generation in the first nine months of 2016 totaled 28,573 million kWh (9,875 million kWh in the 3rd Quarter 2016), a decrease of 6,670 million kWh (-18.9%) compared with the first nine months of 2015 (-23.7% in the 3rd Quarter 2016). This decrease mainly regarded the use of coal as a result of the stoppage at the Brindisi Sud plant for maintenance, which was only partially offset by the increased use of natural gas.

Transport of electricity

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
57,494	60,792	(3,298)	-5.4%	Electricity transported on Enel's distribution network (1)	167,340	170,994	(3,654)	-2.1%

(1) The figure for 2015 reflects a more accurate calculation of quantities transported.

Electricity transported on Enel's network in Italy in the first nine months of 2016 decreased by 3,654 million kWh (-2.1%), going from 170,994 million kWh in the first nine months of 2015 to 167,340 million kWh in the first nine months of 2016. This change is consistent with the drop in demand for electricity in Italy.
Developments were similar in the 3rd Quarter 2016, with 57,494 million kWh of electricity transported, a decrease of 3,298 million kWh (-5.4%) compared with the same period of 2015.

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
				Free market:				
6,837	7,102	(265)	-3.7%	- mass-market customers	19,665	19,428	237	1.2%
5,139	2,814	2,325	82.6%	- business customers (1)	14,435	8,063	6,372	79.0%
469	487	(18)	-3.7%	- safeguard-market customers	1,611	1,192	419	35.2%
12,445	**10,403**	**2,042**	**19.6%**	**Total free market**	**35,711**	**28,683**	**7,028**	**24.5%**
				Regulated market:				
11,788	13,319	(1,531)	-11.5%	- enhanced protection market customers	34,414	37,250	(2,836)	-7.6%
24,233	**23,722**	**511**	**2.2%**	**TOTAL**	**70,125**	**65,933**	**4,192**	**6.4%**

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

Energy sold in the first nine months of 2016 came to 70,125 million kWh, an increase of 4,192 million kWh compared with the same period of the previous year. The trend essentially reflects the greater volumes sold on the free market due to the increase, as a result of new commercial policies, in business customers who, because their average consumption is higher than that of residential customers, are driving the rise in volumes, despite being in a market, like Italy, where consumption has been falling.
There were similar developments in the 3rd Quarter of 2016.

Gas sales

3rd Quarter				Millions of m^3	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
211	225	(14)	-6.2%	Mass-market customers (1)	1,854	2,371	(517)	-21.8%
235	116	119	-	Business customers	1,219	422	797	-
446	**341**	**105**	**30.8%**	**Total**	**3,073**	**2,793**	**280**	**10.0%**

(1) Includes residential customers and microbusinesses.

Gas sales in the first nine months of 2016 totaled 3,073 million cubic meters (446 million cubic meters in the 3rd Quarter of 2016), an increase of 280 million cubic meters compared with the same period of the previous year, essentially attributable to sales to business customers.
Similar developments were reported in the 3rd Quarter of 2016

Performance

3rd Quarter				Millions of euro	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
8,686	9,663	(977)	-10.1%	Revenue	26,335	29,205	(2,870)	-9.8%
1,766	1,574	192	12.2%	Gross operating margin	5,445	5,266	179	3.4%
1,242	1,061	181	17.1%	Operating income	3,824	3,642	182	5.0%
				Capital expenditure	1,170	1,135 (1)	35	3.1%

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

The following tables break down performance by type of business in the 3rd Quarter and in the first nine months of 2016.

Performance in the 3rd Quarter

Revenue

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Generation and Trading	4,453	5,278	(825)	-15.6%
Infrastructure and Networks	1,751	1,791	(40)	-2.2%
Renewables	365	482	(117)	-24.3%
End-user markets	3,646	3,681	(35)	-1.0%
Services	270	262	8	3.1%
Eliminations and adjustments	(1,799)	(1,831)	32	-1.7%
Total	**8,686**	**9,663**	**(977)**	**-10.1%**

Revenue for the 3rd Quarter of 2016 amounted to €8,686 million, a decrease of €977 million compared with 2015 (-10.1%), due primarily to the following factors:

- a €825 million decline (-15.6%) in revenue from **Generation and Trading** compared with the same period of 2015. This reduction is mainly attributable to:
  - a decrease of €176 million in revenue from trading on international electricity markets due essentially to a decline in quantities handled (-2.0 TWh) in an environment of falling prices;
  - a €505 million reduction in revenue from the sale of electricity, mainly related to the €234 million decline in sales on the Power Exchange and to a decrease in revenue from the sale of electricity to other domestic resellers in the amount of €277 million, only partly set off by increased electricity sales to other Group companies;
  - a decrease of €13 million in revenue from the sale of CO_2 emission allowances and green certificates;
- a €40 million decline (-2.2%) in revenue from **Infrastructure and Networks** operations, largely reflecting:
  - an increase in grants from the Energy & Environmental Services Fund (formerly the Electricity Equalization Fund) for energy efficiency certificates (white certificates) in the amount of €55 million as a result of an increase in volumes purchased and the rise in the unit grant;
  - a €53 million decline in rate revenue attributable mainly to the reduction in transaction rates, which was only partially offset by the increase in revenue related to the change introduced with the Authority for Electricity, Gas and the Water System (the Authority) Resolution no. 655/2014 eliminating "regulatory lag";

- a decrease in revenue of €14 million as a result of changes introduced with Authority Resolution no. 268/2015, which abolished the grant to cover the risk to distributors of the uncollectibility of costs and provided for the strengthening of the system of guarantees required for transport contracts;
- a reduction in revenue from metering services;
- a decline in revenue from the sale of electronic meters to other Group companies abroad;

> a €117 million decline in revenue from **Renewables** generation, mainly due to the decline in revenue from the sale of electricity as a result of the decrease in hydroelectric generation;

> a €35 million (-1.0%) decrease in revenue from **End-user markets** for electricity, essentially reflecting the €235 million reduction in revenue on the regulated market as a result of the decline in volumes sold (-1.5 TWh) and in the number of customers served, only partially offset by a €170 million increase in revenue on the free market for electricity related to higher volumes sold (+2.0 TWh).

Gross operating margin

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Generation and Trading	272	56	216	-
Infrastructure and Networks	892	919	(27)	-2.9%
Renewables	193	287	(94)	-32.8%
End-user markets	376	277	99	35.7%
Services	33	35	(2)	-5.7%
Total	**1,766**	**1,574**	**192**	**12.2%**

The **gross operating margin** in the 3rd Quarter of 2016 amounted to €1,766 million, an increase of €192 million (+12.2%) compared with the €1,574 million posted in the 3rd Quarter of 2015. This increase in essentially attributable to:

> the €216 million increase in the margin from **Generation and Trading**, which is essentially attributable to the rise in the margin on trading owing to benefits derived from the stipulation of price review agreements, only partially offset by the reduction in the margin on generation, reflecting a more unfavorable generation mix as a result of poor water conditions;

> a decline of €27 million (-2.9%) in the margin from **Infrastructure and Networks** operations, largely due to the €51 million decrease in the margin on electricity transport, partially offset by the reversal of the relevant provision following the Antitrust Authority's decision to dismiss the proceeding brought in 2015 and by the reduction in operating costs;

> the €94 million decrease in the margin from **Renewables** generation for the same reasons described above for revenue;

> the €99 million (+35.7%) increase in the margin from **End-user markets,** mainly attributable to the increases of €72 million in the margin on the free markets for electricity and gas and of €28 million in the margin on the regulated electricity market.

Operating income

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Generation and Trading	212	(5)	217	-
Infrastructure and Networks	638	674	(36)	-5.3%
Renewables	128	212	(84)	-39.6%
End-user markets	243	156	87	55.8%
Services	21	24	(3)	-12.5%
Total	**1,242**	**1,061**	**181**	**17.1%**

Operating income came to €1,242 million in the 3rd Quarter of 2016, taking account of depreciation, amortization and impairment losses in the amount of €524 million (€513 million for the same period of 2015).

Performance in the first nine months

Revenue

Millions of euro	First nine months			
	2016	2015 restated	Change	
Generation and Trading	13,613	16,015	(2,402)	-15.0%
Infrastructure and Networks	5,309	5,323	(14)	-0.3%
Renewables	1,329	1,739	(410)	-23.6%
End-user markets	11,091	11,174	(83)	-0.7%
Services	796	761	35	4.6%
Eliminations and adjustments	(5,803)	(5,807)	4	-0.1%
Total	**26,335**	**29,205**	**(2,870)**	**-9.8%**

Revenue for the first nine months of 2016 amounted to €26,335 million, down €2,870 million compared with the same period of 2015 (-9.8%), due primarily to the following factors:

> a €2,402 million decline (-15.0%) in revenue from **Generation and Trading** compared with the same period of 2015. This decrease is mainly attributable to:
  - a €924 million decline in revenue from trading on international energy markets, due essentially to a reduction in volumes handled (-17.0 TWh) in an environment of falling prices;
  - a €967 million decline in revenue from the sale of electricity, essentially related to the lower volumes generated. More specifically, the change is mainly attributable to the reduction in revenue from sales on the Power Exchange (down €485 million, due to lower energy sales, partly offset by greater activity in the Ancillary Services Market), and to lower revenue from electricity sales to other domestic resellers (down €513 million), which were only partially offset by increased sales of electricity to cover the requirements of other Group companies;
  - a decrease of €432 million in revenue from the sale of CO_2 emissions allowances and green certificates, owing to lower volumes handled;
  - a €32 million decrease in non-recurring income related mainly to the difference in the gain on the sale of the equity investment in Hydro Dolomiti Enel in the first nine months of 2016 (€124 million) and the larger gain on the sale of SF Energy and SE Hydropower in the same period of 2015 (€154 million).

- a decrease of €14 million (-0.3%) in revenue from **Infrastructure and Networks** operations, largely attributable to:
  - a €116 million decline in rate revenue attributable mainly to the reduction in transmission rates, which was only partially offset by the increase in revenue related to the change introduced with Authority Resolution no. 655/2014 eliminating "regulatory lag";
  - a decrease in revenue of €43 million as a result of changes introduced with Authority Resolution no. 268/2015, which abolished the grant to cover the risk to distributors of the uncollectibility of system costs and provided for the strengthening of the system of guarantees required for transport contracts;
  - the increase in transfers from the Energy & Environmental Services Fund (formerly the Electricity Equalization Fund) for white certificates (in the amount of €112 million) due to the increase in volumes purchased and in the unit fee;
  - the increase of €15 million in revenue from metering services;
  - the €10 million increase in revenue from the sale of electronic meters to other Group companies abroad;
- a decrease of €410 million (-23.6%) in revenue from **Renewables** generation, due largely to the decline in revenue from electricity sales resulting from the reduction in hydroelectric generation and to the recognition in the 1st Half of 2015 of the badwill and fair value measurement related to the 3Sun acquisition (for a total of €132 million) and an indemnity required under the agreements with STM (€12 million);
- a decrease of €83 million (-0.7%) in revenue from **End-user markets** for electricity, essentially reflecting:
  - a decrease of €663 million in revenue on the regulated market for electricity as a result of the decline in volumes sold (-2.8 TWh) and in the number of customers served;
  - an increase of €511 million in revenue on the free market for electricity related to the higher volumes sold (+7.0 TWh) , which was only partially offset by the price effect;
  - an increase of €79 million in revenue from the sale of natural gas to end users related mainly to the positive adjustment of estimates made in previous years and the increase in volumes sold.

Gross operating margin

Millions of euro	First nine months			
	2016	2015 restated	Change	
Generation and Trading	524	276	248	89.9%
Infrastructure and Networks	2,670	2,726	(56)	-2.1%
Renewables	797	1,179	(382)	-32.4%
End-user markets	1,373	971	402	41.4%
Services	81	114	(33)	-28.9%
Total	**5,445**	**5,266**	**179**	**3.4%**

The **gross operating margin** in the first nine months of 2016 amounted to €5,445 million, an increase of €179 million (+3.4%) compared with the first nine months of 2015. This increase is essentially attributable to:

- the €248 million increase in the margin from **Generation and Trading**. Net of the difference in gains on disposals in the two periods as described above, there would have been an increase of €216 million, mainly due to:
  - a €311 million increase in the margin on trading, reflecting the benefits from agreements reached as part of the price review process for a number of gas supply contracts;
  - a decline in the generation margin, which reflects a more unfavorable generation mix as a result of poor water conditions in an environment of falling wholesale prices;
- a decline of €56 million (-2.1%) in the margin from **Infrastructure and Networks** operations, largely due to:
  - the €155 million decrease in the margin on electricity transport, primarily reflecting the reduction in rates noted earlier;

- reversal of the relevant provision (€47 million) following the Antitrust Authority's decision to dismiss the proceeding it brought in 2015;
- the increase of €7 million in the margin on white certificates;
- the increase of €16 million in the margin from connection fees;
- a reduction in operating costs;

> a €382 million decrease in the margin from **Renewables** generation for the same reasons described above for revenue;

> an increase of €402 million (+41.4%) in the margin from **End-user markets**, mainly attributable to:

- an increase of €340 million in the margin on the free market for electricity and gas (€233 million of which attributable to electricity) due to the increase in volumes sold for both commodities (electricity and gas);
- an increase of €61 million in the margin on the regulated market for electricity related mainly to lower electricity procurement costs due to a reduction in the number of customers served and a decrease in prices.

Operating income

Millions of euro	First nine months			
	2016	2015 restated	Change	
Generation and Trading	346	91	255	-
Infrastructure and Networks	1,914	1,960	(46)	-2.3%
Renewables	594	960	(366)	-38.1%
End-user markets	925	555	370	66.7%
Services	45	76	(31)	-40.8%
Total	**3,824**	**3,642**	**182**	**5.0%**

Operating income amounted to €3,824 million for an increase of €182 million (+5.0%), including a decline of €3 million in depreciation, amortization, and impairment losses, compared with the €3,642 million in operating income recognized during the same period of 2015.

Capital expenditure

Millions of euro	First nine months			
	2016	2015 restated	Change	
Generation and Trading	52	84 (1)	(32)	-38.1%
Infrastructure and Networks	855	739	116	15.7%
Renewables	188	211	(23)	-10.9%
End-user markets	54	62	(8)	-12.9%
Services	21	39	(18)	-46.2%
Total	**1,170**	**1,135**	**35**	**3.1%**

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

Capital expenditure in the first nine months of 2016 amounted to €1,170 million, up €35 million on the year-earlier period. More specifically, the change is attributable to:

> an increase of €116 million in investment in **Infrastructure and Networks,** primarily in work to improve and maintain service quality standards;

> a decrease of €32 million in capital expenditure in **Generation and Trading**;

> a €23 million decrease in capital expenditure for **Renewables**, largely due to the decrease in investment in geothermal and biomass plants;

> a decrease of €18 million for **Services,** mainly due to the increase in capital expenditure recognized during the same period of 2015 related to software development.

Iberia

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
11,079	12,384	(1,305)	-10.5%	Thermal	23,694	30,122	(6,428)	-21.3%
7,141	6,847	294	4.3%	Nuclear	19,983	19,760	223	1.1%
1,241	1,334	(93)	-7.0%	Hydroelectric	6,326	6,066	260	4.3%
742	810	(68)	-8.4%	Wind	2,757	2,967	(210)	-7.1%
47	55	(8)	-14.5%	Other sources	137	164	(27)	-16.5%
20,250	**21,430**	**(1,180)**	**-5.5%**	**Total net generation**	**52,897**	**59,079**	**(6,182)**	**-10.5%**

Net electricity generation in Iberia in the first nine months of 2016 amounted to 52,897 million kWh, a decrease of 6,182 million kWh compared with the same period of 2015. This change in due mainly to a reduction in thermal generation in Spain as a result of the increase in imports at lower prices from France, only partially offset by higher nuclear generation and hydroelectric output, with the latter attributable to an improvement in water conditions.

In the 3rd Quarter of 2016 net electricity generation totaled 20,250 million kWh, down 1,180 million kWh compared with the same period of 2015.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2016		2015 restated		Change			**2016**		2015 restated		Change	
1,644	8.6%	1,574	7.8%	70	4.4%	High-sulfur fuel oil (S>0.25%)	4,688	10.2%	4,255	8.1%	433	10.2%
1,762	9.2%	1,738	8.6%	24	1.4%	Natural gas	3,384	7.4%	3,967	7.6%	(583)	-14.7%
7,283	38.1%	8,760	43.2%	(1,477)	-16.9%	Coal	14,166	31.0%	20,560	39.3%	(6,394)	-31.1%
7,454	39.0%	7,154	35.3%	300	4.2%	Nuclear fuel	20,798	45.4%	20,567	39.3%	231	1.1%
975	5.1%	1,049	5.1%	(74)	-7.1%	Other fuels	2,749	6.0%	3,001	5.7%	(252)	-8.4%
19,118	**100.0%**	**20,275**	**100.0%**	**(1,157)**	**-5.7%**	**Total**	**45,785**	**100.0%**	**52,350**	**100.0%**	**(6,565)**	**-12.5%**

Gross thermal generation in the first nine months of 2016 came to 45,785 million kWh (19,118 million kWh in the 3rd Quarter of 2016), down 6,565 million kWh compared with the same period of the previous year (-1,157 million kWh in the 3rd Quarter of 2016). The decrease, which regarded almost all types of fuels, was particularly significant for coal, which was also penalized by a number of regulatory changes.

Transport of electricity

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
29,528	28,751	777	2.7%	Electricity transported on Enel's distribution network (1)	82,263	81,510	753	0.9%

(1) The figure for 2015 reflects a more accurate calculation of quantities transported.

Electricity transported in the first nine months of 2016 totaled 82,263 million kWh (29,528 million kWh in the 3rd Quarter of 2016), up 753 million kWh (+777 million kWh in the 3rd Quarter of 2016).

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
25,020	24,155	865	3.6%	Energy sold by Enel	70,704	69,846	858	1.2%

Electricity sales to end users for the first nine months of 2016 came to 70,704 million kWh (25,020 million kWh in the 3rd Quarter of 2016), an increase of 858 million kWh compared with the same period of 2015 (+865 million kWh in the 3rd Quarter of 2016) as a result of the increasing liberalization of the market and the consequent switch to the free market of the customers of Endesa Energia XXI (operating in the regulated market), entirely offset by new customers acquired by Endesa Energia (operating in the free market).
This trend was particularly apparent in the 3rd Quarter of 2016.

Performance

3rd Quarter				Millions of euro	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
4,877	5,099	(222)	-4.4%	Revenue	14,048	15,474	(1,426)	-9.2%
997	898	99	11.0%	Gross operating margin	2,970	2,978	(8)	-0.3%
536	447	89	19.9%	Operating income	1,630	1,630	-	-
				Capital expenditure	646	585	61	10.4%

The following tables break down performance by type of business in the 3rd Quarter and in the first nine months of 2016.

Performance in the 3rd Quarter

Revenue

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Generation and Trading	1,394	1,665	(271)	-16.3%
Infrastructure and Networks	641	644	(3)	-0.5%
Renewables	149	176	(27)	-15.3%
End-user markets	3,618	3,942	(324)	-8.2%
Services	83	58	25	43.1%
Eliminations and adjustments	(1,008)	(1,386)	378	-27.3%
Total	**4,877**	**5,099**	**(222)**	**-4.4%**

Revenue for the 3rd Quarter of 2016 decreased by €222 million due to:

> a €271 million decrease in revenue from **Generation and Trading** operations primarily associated with the decline in volumes of electricity sales by the power generation companies against a background of falling prices;

> a decrease of €45 million in revenue from **Renewables** as a result of a decline in sales prices and quantities sold;

> the decrease of €324 million in revenue from **End-user markets**, due essentially to the drop in average gas sales prices, as well as a decline in volumes sold at lower prices on the free electricity market and, to an even greater extent, on the regulated market.

Gross operating margin

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Generation and Trading	292	244	48	19.7%
Infrastructure and Networks	442	456	(14)	-3.1%
Renewables	67	83	(16)	-19.3%
End-user markets	173	94	79	84.0%
Services	23	21	2	9.5%
Total	**997**	**898**	**99**	**11.0%**

The **gross operating margin** amounted to €997 million, an increase of €99 million (+11.0%) compared with the same period of 2015, as a result of:

- a €48 million increase in the gross operating margin from **Generation and Trading**, mainly connected with the improvement in the margin on generation in both the peninsular and extra-peninsular areas;
- performance in line with the same period of the previous year in the margin on **Infrastructure and Networks** (equal to €14 million);
- an improvement in the gross operating margin on **End-user markets,** which was essentially due to the sharp drop in variable costs for electricity provisioning and fuels.

Operating income

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Generation and Trading	127	91	36	39,6%
Infrastructure and Networks	250	270	(20)	-7,4%
Renewables	2	15	(13)	-86,7%
End-user markets	130	53	77	-
Services	27	18	9	50.0%
Total	**536**	**447**	**89**	**19.9%**

Operating income in the 3rd Quarter of 2016 totaled €536 million, including €461 million in depreciation, amortization and impairment losses, an increase of €89 million on the same period of 2015.

Performance in the first nine months

Revenue

Millions of euro	First nine months			
	2016	2015 restated	Change	
Generation and Trading	3,427	4,430	(1,003)	-22.6%
Infrastructure and Networks	1,929	1,953	(24)	-1.2%
Renewables	550	640	(90)	-14.1%
End-user markets	10,272	11,858	(1,586)	-13.4%
Services	216	201	15	7.5%
Eliminations and adjustments	(2,346)	(3,608)	1,262	-35.0%
Total	**14,048**	**15,474**	**(1,426)**	**-9.2%**

Revenue in the first nine months of 2016 decreased by €1,426 million due to:

> a €1,003 million decrease in revenue from **Generation and Trading**, mainly connected with:
  - a €756 million reduction in revenue from the sale of electricity by the power generation companies related to a decline both in volumes generated and in average sales prices; a good portion of this revenue was from division companies that sell electricity and so is also reflected in eliminations;
  - a €200 million decrease in revenue from the sale and measurement at fair value of environmental certificates, mainly recognized during the same period of the previous year;
  - a €119 million reduction in grants related to the rate subsidies provided for generation in the extra-peninsular area, connected with the decline in fuel costs;

> a €24 million decrease in revenue from **Infrastructure and Networks** operations, mainly as a result of lower connection fees, only partially offset by higher quantities transported;

> a €108 million decrease in revenue from **Renewables** generation as a result of the decline in average sales prices. The effects of the non-recurring transactions carried out during the periods under review offset each other, given that the recognition of the positive price adjustment (€30 million) recognized in 2016 for the sale of ENEOP was offset by the adjustment to fair value (€29 million) of the assets and liabilities pertaining to the Group already held by Enel prior to the acquisition of full control of that company;

> the decrease in revenue of €1,586 million from **End-user markets**, essentially due to the drop in average sales prices for both electricity and gas, only partially offset by the increase in volumes of electricity sold on the free market.

Gross operating margin

Millions of euro	First nine months			
	2016	2015 restated	Change	
Generation and Trading	668	730	(62)	-8.5%
Infrastructure and Networks	1,393	1.362	31	2.3%
Renewables	308	347	(39)	-11.2%
End-user markets	592	477	115	24.1%
Services	9	62	(53)	-85.5%
Total	**2,970**	**2,978**	**(8)**	**-0.3%**

The **gross operating margin** amounted to €2,970 million, a decrease of €8 million compared with the same period of 2015, as a result of:

> a reduction of €62 million in the gross operating margin from **Generation and Trading**, mainly connected with:

- a decrease of €200 million in the margin on environmental certificates;
- the improvement in the margin on generation in the peninsular and extra-peninsular areas. More specifically, the margin in Iberia was boosted by a reduction in taxes under Law no. 15/2012 (following a decline in quantities generated) and the ruling that the tax on nuclear generation in Catalonia was unconstitutional;

> a decrease of €39 million in the margin on **Renewables** generation, where the fall in revenue was partly offset by operational efficiency gains and the combined impact of the provision recognized in the first nine months of 2015 and its subsequent reversal in the first nine months of 2016 (€28 million) concerning the obligations for the construction and development of the Girabolhos hydroelectric plant in Portugal;

> an increase of about €115 million in the gross operating margin on **End-user markets** due mainly to the reduction in provisioning costs for both commodities handled;

> an increase of €31 million in the margin on **Infrastructure and Networks** operations, mainly due to lower operating expenses, which more than offset the reduction in connection fees noted in the comments on revenue.

Operating income

Millions of euro	First nine months			
	2016	2015 restated	Change	
Generation and Trading	197	271	(74)	-27.3%
Infrastructure and Networks	816	807	9	1.1%
Renewables	112	135	(23)	-17.0%
End-user markets	496	364	132	36.3%
Services	9	53	(44)	-83.0%
Total	**1,630**	**1,630**	**-**	**-**

Operating income in the first nine months of 2016 totaled €1,630 million, including €1,340 million in depreciation, amortization and impairment losses (€1,348 million in the first nine months of 2015), unchanged on the amount reported in the corresponding period of 2015.

Capital expenditure

Millions of euro	First nine months			
	2016	2015 restated	Change	
Generation and Trading	195	150	45	30.0%
Infrastructure and Networks	370	383	(13)	-3.4%
Renewables	41	34	7	20.6%
End-user markets	32	18	14	77.8%
Services	8	-	8	-
Total	**646**	**585**	**61**	**10.4%**

Capital expenditure came to €646 million, up €61 million compared with the same period of the previous year. Capital expenditure in the first nine months of 2016 primarily involved generation plants.

Latin America

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
7,045	6,067	978	16.1%	Thermal	20,491	19,796	695	3.5%
8,301	9,955	(1,654)	-16.6%	Hydroelectric	24,260	25,738	(1,478)	-5.7%
702	533	169	31.7%	Wind	1,751	1,269	482	38.0%
235	70	165	-	Other sources	509	188	321	-
16,283	**16,625**	**(342)**	**-2.1%**	**Total net generation**	**47,011**	**46,991**	**20**	-
3,470	*3,765*	*(295)*	*-7.8%*	*- of which Argentina*	*10,218*	*11,174*	*(956)*	*-8.6%*
1,289	*1,342*	*(53)*	*-3.9%*	*- of which Brazil*	*3,973*	*4,001*	*(28)*	*-0.7%*
5,032	*5,161*	*(129)*	*-2.5%*	*- of which Chile*	*14,761*	*14,462*	*299*	*2.1%*
4,180	*4,108*	*72*	*1.8%*	*- of which Colombia*	*11,355*	*10,750*	*605*	*5.6%*
2,262	*2,245*	*17*	*0.8%*	*- of which Peru*	*6,563*	*6,601*	*(38)*	*-0.6%*

Net electricity generation in the first nine months of 2016 amounted to 47,011 million kWh, up 20 million kWh compared with the same period of 2015, mainly owing to:

> the severe drought (particularly in the 3rd Quarter of 2016) that limited hydroelectric generation, especially in Chile and Argentina, favoring thermal generation in its place;

> the entry into operation of new capacity, including the El Quimbo hydroelectric plant in Colombia and the Melowind wind power plant in Uruguay.

The adverse effects of the drought were particularly concentrated in the 3rd Quarter of 2016, with net generation of 16,283 million kWh, down 342 million kWh compared with the same period of 2015.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2016		2015 restated		Change			**2016**		2015 restated		Change	
456	6.2%	621	9.7%	(165)	-26.6%	High-sulfur fuel oil (S>0.25%)	1,463	6.8%	1,382	6.7%	81	5.9%
5,168	69.9%	3,956	61.5%	1,212	30.6%	Natural gas	14,433	67.2%	14,884	71.9%	(451)	-3.0%
1,037	14.0%	927	14.4%	110	11.9%	Coal	3,098	14.4%	2,268	10.9%	830	36.6%
737	9.9%	925	14.4%	(188)	-20.3%	Other fuels	2,475	11.6%	2,184	10.5%	291	13.3%
7,398	**100.0%**	**6,429**	**100.0%**	**969**	**15.1%**	**Total**	**21,469**	**100.0%**	**20,718**	**100.0%**	**751**	**3.6%**

Gross thermal generation in the first nine months of 2016 totaled 21,469 million kWh, up 751 million kWh on the same period of 2015. This increase is essentially attributable to greater use of natural gas, particularly in Chile to offset lower hydroelectric generation, and in Peru to neutralize the effect of the stoppage at part of the Ventanilla plant for scheduled maintenance in the 3rd Quarter of 2015. Similar performance was observed in the 3rd Quarter of 2016, with gross thermal generation rising 969 million kWh over the 3rd Quarter of 2015.

Transport of electricity

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
19,400	**19,803**	**(403)**	**-2.0%**	**Electricity transported on Enel's distribution network [1]**	**59,076**	**58,843**	**233**	**0.4%**
4,652	*4,776*	*(124)*	*-2.6%*	*- of which Argentina*	*14,203*	*14,004*	*199*	*1.4%*
5,406	*5,462*	*(56)*	*-1.0%*	*- of which Brazil*	*16,980*	*16,917*	*63*	*0.4%*
4,090	*4,042*	*48*	*1.2%*	*- of which Chile*	*11,965*	*11,759*	*206*	*1.8%*
3,361	*3,636*	*(275)*	*-7.6%*	*- of which Colombia*	*10,105*	*10,430*	*(325)*	*-3.1%*
1,892	*1,887*	*5*	*0.3%*	*- of which Peru*	*5,824*	*5,733*	*91*	*1.6%*

(1) The figure for 2015 reflects a more accurate calculation of quantities transported.

Electricity transported in the first nine months of 2016 amounted to 59,076 million kWh (19,400 million kWh in the 3rd Quarter of 2016), up 233 million kWh (-403 million kWh in the 3rd Quarter of 2016).

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
1,501	**1,513**	**(12)**	**-0.8%**	**Free market**	**4,593**	**4,593**	**-**	-
14,155	**14,140**	**15**	**0.1%**	**Regulated market**	**43,473**	**42,875**	**598**	**1.4%**
15,656	**15,653**	**3**	-	**Total**	**48,066**	**47,468**	**598**	**1.3%**
3,999	*4,024*	*(25)*	*-0.6%*	*- of which Argentina*	*12,120*	*11,711*	*409*	*3.5%*
4,656	*4,415*	*241*	*5.0%*	*- of which Brazil*	*14,791*	*14,439*	*352*	*2.4%*
3,290	*3,385*	*(95)*	*-2.8%*	*- of which Chile*	*9,859*	*9,904*	*(45)*	*-0.5%*
2,094	*2,157*	*(63)*	*-2.9%*	*- of which Colombia*	*6,220*	*6,312*	*(92)*	*-1.5%*
1,617	*1,672*	*(55)*	*-3.3%*	*- of which Peru*	*5,076*	*5,102*	*(26)*	*-0.5%*

Electricity sold during the first nine months of 2016 amounted to 48,066 million kWh (15,656 million kWh in the 3rd Quarter of 2016), an increase of 598 million kWh (+3 million kWh in the 3rd Quarter of 2016).

Performance

3rd Quarter				Millions of euro	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
2,818	2,612	206	7.9%	Revenue	7,923	8,125	(202)	-2.5%
882	897	(15)	-1.7%	Gross operating margin	2,612	2,388	224	9.4%
592	657	(65)	-9.9%	Operating income	1,839	1,625	214	13.2%
				Capital expenditure	1,994	2,112	(118)	-5.6%

The following tables show performance by country in the 3rd Quarter and in the first nine months of 2016.

Performance in the 3rd Quarter

Revenue

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Argentina	268	281	(13)	-4.6%
Brazil	683	659	24	3.6%
Chile	1,090	843	247	29.3%
Colombia	494	509	(15)	-2.9%
Peru	280	320	(40)	-12.5%
Other countries	3	-	3	-
Total	**2,818**	**2,612**	**206**	**7.9%**

Revenue in the 3rd Quarter of 2016 posted an increase of €206 million. This increase is mainly due to:

> a decrease of €13 million in revenue in Argentina related essentially to exchange rate effects;

> an increase of €24 million in revenue in Brazil, essentially attributable to an increase in volumes of electricity sold, partly offset by unfavorable developments in exchange rates;

> an increase of €247 million in revenue in Chile, largely due to gains on the disposal of GNL Quintero (€171 million) and the increase in average sales prices;

> a decline in revenue in Colombia of €15 million, mainly the result of the decline in electricity transported, especially in the 3rd Quarter of 2016;

> a decrease of €40 million in revenue in Peru, primarily due to exchange rate effects and a decline in volumes sold.

Gross operating margin

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Argentina	47	75	(28)	-37.3%
Brazil	170	115	55	47.8%
Chile	358	324	34	10.5%
Colombia	251	264	(13)	-4.9%
Peru	53	120	(67)	-55.8%
Other countries	3	(1)	4	-
Total	**882**	**897**	**(15)**	**-1.7%**

Gross operating margin amounted to €882 million, a decrease of €15 million (-1.7%) compared with the same period of 2015, due to:

> a decrease of €28 million in the gross operating margin in Argentina, essentially reflecting exchange rate effects;

> an increase of €34 million in the gross operating margin in Chile, reflecting the gain noted earlier and the improvement in the margin on sales, only partly offset by the recognition of the loss on the abandonment of five hydroelectric projects in the country totaling €163 million;

> a decrease of €67 million in the gross operating margin in Peru, primarily owing to the developments discussed above with regard to revenue, as well as the loss associated with the abandonment of the Curibamba hydroelectric project totaling €18 million and an increase of €37 million in provisions for charges connected with the supply of electricity of Electroperu;

- a €13 million reduction in the margin in Colombia, where the margin on sales remains strong despite the decline in volumes sold by distributors. The reduction is largely due to adverse exchange rate developments;
- an increase of €55 million in the margin in Brazil, essentially reflecting the rise in quantities sold.

Operating income

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Argentina	32	57	(25)	-43.9%
Brazil	47	29	18	62.1%
Chile	276	253	23	9.1%
Colombia	212	230	(18)	-7.8%
Peru	23	89	(66)	-74.2%
Other countries	2	(1)	3	-
Total	**592**	**657**	**(65)**	**-9.9%**

Operating income for the 3rd Quarter of 2016 totaled €592 million, including €290 million in depreciation, amortization, and impairment losses (€240 million in the 3rd Quarter of 2015), a decrease of €65 million compared with the same period of 2015.

Performance in the first nine months

Revenue

Millions of euro	First nine months			
	2016	2015 restated	Change	
Argentina	863	836	27	3.2%
Brazil	1,795	2,267	(472)	-20.8%
Chile	2,820	2,545	275	10.8%
Colombia	1,532	1,559	(27)	-1.7%
Peru	905	918	(13)	-1.4%
Other countries	8	-	8	-
Total	**7,923**	**8,125**	**(202)**	**-2.5%**

Revenue in the first nine months of 2016 posted a decline of €202 million. This decrease was primarily attributable to:

- an increase of €27 million in revenue in Argentina related essentially to the effects of the rate reform for distribution companies introduced by Argentina's government by way of *Resolución* ENRE no. 1/2016, which resulted in a significant increase in sales rates. These effects were largely offset by the impact of the recognition in the first nine months of 2015 of grants for the failure to raise rates following the introduction of *Resolución* no. 32/2015 (€236 million) as well as highly negative exchange rate effects of the depreciation of the Argentine peso against the euro (€539 million);
- a decrease of €472 million in revenue in Brazil, the effect of the depreciation which is essentially attributable to the significant weakening of the Brazilian real against the euro (€216 million) and the effect of regulatory changes pertaining to the recognition of sectoral assets and liabilities (CVA). These effects were partially offset by higher average prices as a result of the rate revisions introduced in December 2015 and March 2016;

> an increase of €275 million in revenue in Chile, due essentially to the gain on the sale of 20% of GNL Quintero (€171 million) and the increase in the distribution rates and to the larger volumes sold by the generation companies, which were partially offset by unfavorable developments in exchange rates (€160 million);
> a decline in revenue in Colombia of €27 million, mainly the result of the depreciation of the Colombian peso against the euro (€245 million), which was almost fully offset by the increase in volumes sold and in prices for both generation and the end-user market;
> a €13 million decrease in Peru, primarily due to the increase in volumes sold to residential customers, which more than offset the impact of exchange rates (€67 million).

Gross operating margin

Millions of euro	First nine months			
	2016	2015 restated	Change	
Argentina	203	172	31	18.0%
Brazil	466	424	42	9.9%
Chile	890	669	221	33.0%
Colombia	747	766	(19)	-2.5%
Peru	300	358	(58)	-16.2%
Other countries	6	(1)	7	-
Total	**2,612**	**2,388**	**224**	**9.4%**

The **gross operating margin** amounted to €2,612 million, an increase of €224 million (+9.4%) compared with the same period of 2015, reflecting:

> an increase of €31 million in the gross operating margin in Argentina, mainly due to the different regulatory mechanisms used during the two periods compared, despite unfavorable exchange rate developments (equal to €127 million);
> an increase of €221 million in the gross operating margin in Chile following an improvement in the margin on sales for both distribution and generation, in part due to greater volumes sold. These effects were only partially offset by the €163 million loss on a number of water use concessions recognized following the abandonment of a number of hydroelectric projects (including Puelo and Futaleufu) and unfavorable exchange rate developments (€48 million);
> a decrease of €58 million in the gross operating margin in Peru, mainly reflecting the effect of higher average sales prices more than offset by unfavorable exchange rate developments (equal to €23 million), the €18 million loss arising from the abandonment of the Curibamba hydroelectric project and an increase of €37 million in provisions for charges connected with the supply of electricity of Electroperu;
> a €19 million reduction in the margin for Colombia, where the positive effect of the increase in volumes generated and sold, in part due to the El Quimbo hydroelectric plant becoming fully operational, was more than offset by the negative impact of the translation of the Colombian peso into euros (€120 million);
> an increase of €42 million in the margin in Brazil, reflecting the net impact of adverse exchange rate developments (€57 million) more than offset by the improved margin on sales despite the significant decline in volumes sold.

Operating income

Millions of euro	First nine months			
	2016	2015 restated	Change	
Argentina	156	122	34	27.9%
Brazil	168	131	37	28.2%
Chile	667	462	205	44.4%
Colombia	638	651	(13)	-2.0%
Peru	207	260	(53)	-20.4%
Other countries	3	(1)	4	-
Total	**1,839**	**1,625**	**214**	**13.2%**

Operating income in the first nine months of 2016 totaled €1,839 million, including €773 million in depreciation, amortization, and impairment losses (€763 million in the first nine months of 2015), an increase of €214 million compared with the same period of 2015, essentially in line with developments in the gross operating margin.

Capital expenditure

Millions of euro	First nine months			
	2016	2015 restated	Change	
Argentina	150	259	(109)	-42.1%
Brazil	868	564	304	53.9%
Chile	680	679	1	0.1%
Colombia	157	446	(289)	-64.8%
Peru	138	122	16	13.1%
Other countries	1	42	(41)	-97.6%
Total	**1,994**	**2,112**	**(118)**	**-5.6%**

Capital expenditure amounted to €1,994 million, a decrease of €118 million compared with the same period of the previous year. Specifically, capital expenditure in the first nine months of 2016 primarily reflected the decrease in investment on the distribution network in all the Latin American countries, only partly offset by an increase in investment associated with photovoltaic plants built in Brazil.

Europe and North Africa

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
10,872	11,278	(406)	-3.6%	Thermal	31,160	33,213	(2,053)	-6.2%
1,279	3,576	(2,297)	-64.2%	Nuclear	7,523	10,349	(2,826)	-27.3%
131	277	(146)	-52.7%	Hydroelectric	1,228	2,062	(834)	-40.4%
337	376	(39)	-10.4%	Wind	1,201	1,356	(155)	-11.4%
45	64	(19)	-29.7%	Other sources	124	151	(27)	-17.9%
12,664	**15,571**	**(2,907)**	**-18.7%**	**Total net generation**	**41,236**	**47,131**	**(5,895)**	**-12.5%**
10,745	*10,545*	*200*	*1.9%*	*- of which Russia*	*29,853*	*31,132*	*(1,279)*	*-4.1%*
1,538	*4,255*	*(2,717)*	*-63.9%*	*- of which Slovakia*	*9,684*	*13,719*	*(4,035)*	*-29.4%*
-	*346*	*(346)*	*-*	*- of which Belgium*	*352*	*782*	*(430)*	*-55.0%*
381	*425*	*(44)*	*-10.4%*	*- of which other countries*	*1,347*	*1,498*	*(151)*	*-10.1%*

Net electricity generation in the first nine months of 2016 came to 41,236 million kWh, a decrease of 5,895 million kWh compared with the same period of 2015.
This change was mainly related to the reduction in nuclear and hydroelectric generation in Slovakia, mainly due to the deconsolidation of Slovenské elektrárne at the end of July 2016, as well as to the early termination of the management contract for the Gabčíkovo plant. In addition, there was a reduction in generation in Russia due to a malfunction at the Nevinnomysskaya combined-cycle plant (-932 million kWh) and a decrease in generation by coal plants (-691 million kWh), the effects of which were only partially offset by an increase in conventional oil and gas generation.
The performance (particularly as relating to the effects of the deconsolidation of Slovenské elektrárne) in the 3rd Quarter of 2016 was similar, except in Russia, where the increase is the result of higher output by oil and gas plants.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2016		2015 restated		Change			**2016**		2015 restated		Change	
6,835	53.7%	6,266	39.7%	569	9.1%	Natural gas	17,506	42.7%	18,637	40.3%	(1,131)	-6.1%
4,525	35.5%	5,650	35.9%	(1,125)	-19.9%	Coal	15,396	37.5%	16,495	35.6%	(1,099)	-6.7%
1,375	10.8%	3,851	24.4%	(2,476)	-64.3%	Nuclear fuel	8,102	19.8%	11,136	24.1%	(3,034)	-27.2%
12,735	**100.0%**	**15,767**	**100.0%**	**(3,032)**	**-19.2%**	**Total**	**41,004**	**100.0%**	**46,268**	**100.0%**	**(5,264)**	**-11.4%**

Gross thermal generation for the first nine months of 2016 posted a decrease of 5,264 million kWh to 41,004 million kWh. The reduction mainly concerned nuclear power in Slovakia, but the other resources also recorded the same downward trend.
Similar performance was observed in the 3rd Quarter of 2016.

Transport of electricity

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
3,786	3,751	35	0.9%	Electricity transported on Enel's distribution network	11,064	10,950	114	1.0%

Electricity transported, which was concentrated entirely in Romania, posted an increase of 114 million kWh (+1.0%), going from 10,950 million kWh to 11,064 million kWh in the first nine months of 2016. This increase was mainly the result of new grid connections, which reflected the development of the country's power grid.
The performance in the 3rd Quarter of 2016 was similar.

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
1,598	**2,548**	**(950)**	**-37.3%**	**Free market**	**6,162**	**7,788**	**(1,626)**	**-20.9%**
1,180	**1,293**	**(113)**	**-8.7%**	**Regulated market**	**3,662**	**4,022**	**(360)**	**-9.0%**
2,778	**3,841**	**(1,063)**	**-27.7%**	**Total**	**9,824**	**11,810**	**(1,986)**	**-16.8%**
1,867	*1,894*	*(27)*	*-1.4%*	*- of which Romania*	*5,623*	*5,783*	*(160)*	*-2.8%*
562	*921*	*(359)*	*-39.0%*	*- of which France*	*1,803*	*2,953*	*(1,150)*	*-38.9%*
349	*1,026*	*(677)*	*-66.0%*	*- of which Slovakia*	*2,398*	*3,074*	*(676)*	*-22.0%*

Electricity sales in the first nine months of 2016 decreased by 1,986 million kWh, going from 11,810 million kWh to 9,824 million kWh. This reduction can be attributed to:

> a decrease of 1,150 million kWh in volumes sold in France due to the Group's commercial policy for that country;
> a reduction of 676 million kWh in volumes sold in Slovakia, almost entirely the result of deconsolidation;
> a decrease of 160 million kWh in sales on the Romanian market, mainly the result of the gradual liberalization of the market.

Similar performance was registered in the 3rd Quarter of 2016, in which the effect of the deconsolidation obviously had a relatively heavier impact.

Performance

3rd Quarter				Millions of euro	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
771	1,205	(434)	-36.0%	Revenue	3,075	3,658	(583)	-15.9%
188	767	(579)	-75.5%	Gross operating margin	609	1,230	(621)	-50.5%
87	(941)	1,028	-	Operating income	326	(687)	1,013	-
				Capital expenditure	144 (1)	145 (2)	(1)	-0.7%

(1) Does not include €238 million regarding units classified as "held for sale ".
(2) Does not include €400 million regarding units classified as "held for sale ".

The following tables show a breakdown of performance by country in the 3rd Quarter and in the first nine months of 2016.

Performance in the 3rd Quarter

Revenue

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Romania	254	276	(22)	-8.0%
Russia	257	241	16	6.6%
Slovakia	188	598	(410)	-68.6%
Other countries	72	90	(18)	-20.0%
Total	**771**	**1,205**	**(434)**	**-36.0%**

Revenue in the 3rd Quarter of 2016 came to €771 million, down €434 million (-36.0%) compared with the same period of the previous year. The performance was related to:

> the €410 million decrease in revenue in Slovakia, mainly due to the deconsolidation of Slovenské elektrárne at the end of July;
> the €22 million decrease in revenue in Romania, which is essentially attributable to lower revenue from electricity distribution companies;
> the reduction of revenue in France;
> the €16 million increase in revenue in Russia, as a result of higher volumes generated in an environment of rising prices.

Gross operating margin

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Romania	102	100	2	2.0%
Russia	48	24	24	-
Slovakia	34	622	(588)	-94.5%
Other countries	4	21	(17)	-81.0%
Total	**188**	**767**	**(579)**	**-75.5%**

The **gross operating margin** amounted to €188 million, a decrease of €579 million compared with the 3rd Quarter of 2015. The performance is primarily attributable to:

> a decrease of €588 million in the gross operating margin in Slovakia, mainly owing to the impact of the partial reversal of the nuclear waste disposal provision in the amount of €550 million in the 3rd Quarter of 2015 following an analysis by independent experts, who took account of the regulatory changes introduced in July 2015 by the Slovakian government on handling the “back end” of spent nuclear fuel;
> the decrease in the gross operating margins in France and Belgium.

The positive impact on the margins registered in Russia and Romania only partially offset the declines recorded.

Operating income

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
Romania	64	(92)	156	-
Russia	34	(931)	965	-
Slovakia	44	66	(22)	-33.3%
Other countries	(55)	16	(71)	-
Total	**87**	**(941)**	**1,028**	**-**

Operating income amounted to €87 million in the 3rd Quarter of 2016, an improvement of €1,028 million compared with the same period of 2015, including a €1,607 million decrease in depreciation, amortization and impairment losses. Specifically, in the 3rd Quarter of 2015 there was a writedown (to the estimated realizable value excluding transaction costs, as established by IFRS 5) of €531 million on Slovenské elektrárne's assets, as well as an impairment loss of €919 million on generation assets held by Enel Russia, taking account of the continuing unfavorable market and regulatory conditions in that country.

Performance in the first nine months

Revenue

Millions of euro	First nine months			
	2016	2015 restated	Change	
Romania	767	814	(47)	-5.8%
Russia	682	788	(106)	-13.5%
Slovakia	1,360	1,770	(410)	-23.2%
Other countries	266	286	(20)	-7.0%
Total	**3,075**	**3,658**	**(583)**	**-15.9%**

Revenue in the first nine months of 2016 came to €3,075 million, down €583 million (-15.9%) compared with the same period of the previous year. The performance was related to:

- the €410 million decrease in revenue in Slovakia owing to a reduction in volumes generated and sold, mainly due to the deconsolidation of Slovenské elektrárne upon its sale at the end of July 2016;
- the reduction of €106 million in revenue in Russia related largely to the weakening of the local currency against the euro (€98 million) and the decrease in power generation;
- the €47 million decrease in revenue in Romania, which is essentially attributable to lower volumes sold as a result of the liberalization process, which was only partially offset by the increase in volumes transported and the larger number of grid connections made;
- the €85 million decline in revenue in France, only partially offset by the increases in Belgium for gas.

Gross operating margin

Millions of euro	First nine months			
	2016	2015 restated	Change	
Romania	266	281	(15)	-5.3%
Russia	126	119	7	5.9%
Slovakia	191	789	(598)	-75.8%
Other countries	26	41	(15)	-36.6%
Total	**609**	**1,230**	**(621)**	**-50.5%**

The **gross operating margin** amounted to €609 million, a decrease of €621 million compared with the first nine months of 2015. The change is primarily attributable to:

> a decrease of €598 million in the gross operating margin in Slovakia, as a result of the reversal of the nuclear waste disposal provision during the same period of 2015 mentioned above and the effects of the deconsolidation at the end of July 2016;

> a reduction of €15 million in the gross operating margin in Romania, almost entirely attributable to the electricity transport business;

> a decrease in the gross operating margin in Belgium as a result of an increase in purchase prices and lower output.

Operating income

Millions of euro	First nine months			
	2016	2015 restated	Change	
Romania	166	16	150	-
Russia	89	(897)	986	-
Slovakia	114	170	(56)	-32.9%
Other countries	(43)	24	(67)	-
Total	**326**	**(687)**	**1,013**	**-**

Operating income in the first nine months of 2016 totaled €326 million, up €1,013 million, taking account of the significant impairment losses reported by Enel Russia and Slovenské elektrárne during the same period of 2015, as mentioned above.

Capital expenditure

Millions of euro	First nine months			
	2016	2015 restated	Change	
Romania	80	69	11	15.9%
Russia	53	68	(15)	-22.1%
Other countries	11	8	3	37.5%
Total	**144** (1)	**145** (2)	**(1)**	**-0.7%**

(1) Does not include €238 million regarding units classified as “held for sale “.
(2) Does not include €400 million regarding units classified as “held for sale “.

Capital expenditure amounted to €144 million, consistent with the prior period.

North and Central America

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
723	923	(200)	-21.7%	Hydroelectric	2,263	2,755	(492)	-17.9%
80	75	5	6.7%	Geothermal	288	284	4	1.4%
1,978	1,546	432	27.9%	Wind	6,650	4,951	1,699	34.3%
17	18	(1)	-5.6%	Other sources	49	41	8	19.5%
2,798	**2,562**	**236**	**9.2%**	**Total net generation**	**9,250**	**8,031**	**1,219**	**15.2%**
1,868	*1,486*	*382*	*25.7%*	*- of which United States and Canada*	*6,624*	*5,068*	*1,556*	*30.7%*
389	*353*	*36*	*10.2%*	*- of which Mexico*	*1,171*	*916*	*255*	*27.8%*
412	*515*	*(103)*	*-20.0%*	*- of which Panama*	*1,170*	*1,478*	*(308)*	*-20.8%*
129	*208*	*(79)*	*-38.0%*	*- of which other countries*	*285*	*569*	*(284)*	*-49.9%*

Net electricity generation in the first nine months of 2016 amounted to 9,250 million kWh, up 1,219 million kWh compared with the same period of 2015. This increase can mainly be attributed to the rise in wind generation in the United States and Canada (+1,486 million kWh) due to the greater availability of the resource and the entry into operation of plants, including the Goodwell facility in Oklahoma, only partially offset by the decrease in hydroelectric output in Panama (-317 million kWh) as a result of poorer water conditions as compared with the 3rd Quarter of 2016. The performance in the 3rd Quarter of 2016 was similar.

Performance

3rd Quarter				Millions of euro	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
210	195	15	7.7%	Revenue	672	633	39	6.2%
143	129	14	10.9%	Gross operating margin	470	435	35	8.0%
60	74	(14)	-18.9%	Operating income	259	258	1	0.4%
				Capital expenditure	989	479	510	-

The following tables show a breakdown of performance by geographic area in the 3rd Quarter and in the first nine months of 2016.

Performance del 3rd Quarter

Revenue

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
United States and Canada	129	104	25	24.0%
Mexico	37	26	11	42.3%
Panama	34	43	(9)	-20.9%
Other countries	10	22	(12)	-54.5%
Total	**210**	**195**	15	7.7%

Revenue in the 3rd Quarter of 2016 amounted to €210 million, an increase of €15 million (+7.7%) compared with the same period of the previous year. This change can be attributed to:

> a €25 million increase in revenue in North America due to higher tax partnership income and the increase in volumes generated;

> an increase of €11 million in revenue in Mexico owing to the recognition of a positive price adjustment on the purchase of Stipa Nayaá in 2012 for €19 million;

> greater wind generation;

> a €9 million decrease in revenue in Panama as a result of worsening water conditions during the period.

Gross operating margin

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
United States and Canada	87	64	23	35.9%
Mexico	29	18	11	61.1%
Panama	23	35	(12)	-34.3%
Other countries	4	12	(8)	-66.7%
Total	143	129	14	10.9%

The **gross operating margin** in the 3rd Quarter of 2016 amounted to €143 million, an increase of €14 million (+10.9%) compared with the same period of 2015. This change is attributable to:

> the €23 million increase in the margin in North America for the same reasons as the change in revenue described above;

> the €11 million increase in the margin in Mexico, for same reasons stated above;

> the €12 million decrease in the margin in Panama due to the drop in revenue and higher electricity procurement costs.

Operating income

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
United States and Canada	34	23	11	47.8%
Mexico	6	10	(4)	-40.0%
Panama	20	31	(11)	-35.5%
Other countries	-	10	(10)	-
Total	60	74	(14)	-18.9%

Operating income, equal to €60 million, fell by €14 million, taking account of an increase of €28 million in depreciation, amortization and impairment losses.

Performance in the first nine months

Revenue

Millions of euro	First nine months			
	2016	2015 restated	Change	
United States and Canada	451	377	74	19.6%
Mexico	87	65	22	33.8%
Panama	103	131	(28)	-21.4%
Other countries	31	60	(29)	-48.3%
Total	**672**	**633**	**39**	**6.2%**

Revenue in the first nine months of 2016 amounted to €672 million, up €39 million (+6.2%) compared with the same period of the previous year. This increase can be attributed to:

- a €74 million increase in revenue in the United States and Canada due to a €51 million rise in tax partnership income and the increase in volumes generated as a result of higher wind output as noted above;
- an increase of €22 million in revenue in Mexico owing to the recognition of a positive price adjustment mentioned above and higher wind power generation;
- a €28 million decrease in revenue in Panama as a result of lower revenue from the sale of electricity due to poorer water conditions at the Fortuna plant;
- the reduction in revenue in Guatemala (down €19 million) and Costa Rica (down €10 million) due to power hydroelectric output as a result of worsening water conditions during the period.

Gross operating margin

Millions of euro	First nine months			
	2016	2015 restated	Change	
United States and Canada	322	257	65	25.3%
Mexico	65	34	31	91.2%
Panama	69	105	(36)	-34.3%
Other countries	14	39	(25)	-64.1%
Total	**470**	**435**	**35**	**8.0%**

The **gross operating margin** in the first nine months of 2016 amounted to €470 million, an increase of €35 million (+8.0%) compared with the first nine months of 2015. This increase is attributable to:

> the €65 million increase in the margin in the United States and Canada as a result of higher revenue, only partially offset by increased personnel and operating expenses associated with greater installed capacity;

> the €31 million increase in the margin in Mexico owing to the price adjustment on the purchase of Stipa Nayaá and the increase in volumes generated;

> the €36 million decrease in the margin in Panama as a result of lower revenue and the increase in electricity procurement cost due the decline in generation because of unfavorable water conditions;

> the reduction in the margins in Guatemala (down €18 million) and Costa Rica (down €8 million) for the same reasons given for the drop in revenue.

Operating income

Millions of euro	First nine months			
	2016	2015 restated	Change	
United States and Canada	171	119	52	43.7%
Mexico	23	13	10	76.9%
Panama	60	96	(36)	-37.5%
Other countries	5	30	(25)	-83.3%
Total	**259**	**258**	**1**	**0.4%**

Operating income in the first nine months of 2016 totaled €259 million, an increase of €1 million, taking account of an increase of €34 million in depreciation, amortization and impairment losses largely in Mexico, the United States and Canada due mainly to the entry into service of new plants.

Capital expenditure

Millions of euro	First nine months			
	2016	2015 restated	Change	
United States and Canada	758	199	559	-
Mexico	130	162	(32)	-19.8%
Panama	39	14	25	-
Other countries	62	104	(42)	-40.4%
Total	**989**	**479**	**510**	**-**

Capital expenditure in the first nine months of 2016 amounted to €989 million, up €510 million compared with the same period of the previous year due to increased investment in wind plants in the United States and Canada.

Sub-Saharan Africa and Asia

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
149	-	149	-	Wind	310	-	310	-
15	4	11	-	Other sources	24	13	11	84.6%
164	**4**	**160**	**-**	**Total**	**334**	**13**	**321**	-
29	*4*	*25*	-	*- of which South Africa*	*38*	*13*	*25*	-
136	-	*136*	-	*- of which India*	*297*	-	*297*	-

Net generation in the first nine months of 2016 amounted to 334 million kWh (164 million kWh in the 3rd Quarter of 2016), an increase of 321 million kWh on the same period of 2015 (160 million kWh in the 3rd Quarter of 2016). This increase is mainly attributable to the consolidation of the Indian companies from the end of September 2015. Similar performance was reported in the 3rd Quarter of 2016.

Performance

3rd Quarter				Millions of euro	First nine months			
2016	2015 restated	Change			**2016**	2015 restated	Change	
9	-	9	-	Revenue	18	3	15	-
6	(7)	13	-	Gross operating margin	7	(7)	14	-
(3)	(8)	5	62.5%	Operating income	(5)	(8)	3	37.5%
				Capital expenditure	253	200	53	26.5%

The following tables show a breakdown of performance by geographic area in the 3rd Quarter and in the first nine months of 2016.

Performance in the 3rd Quarter

Revenue

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
South Africa	2	-	2	-
India	7	-	7	-
Total	**9**	**-**	9	-

Revenue in the 3rd Quarter 2016 amounted to €9 million, an increase of €9 million compared with the same period of the previous year, due both to the consolidation of the Indian companies and the entry into operation and the higher output of plants in South Africa.

Gross operating margin

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
South Africa	1	(7)	8	-
India	5	-	5	-
Total	6	(7)	13	-

The **gross operating margin** amounted to €6 million in the 3rd Quarter 2016, an increase of €13 million compared with the same period of 2015 for the same causes described above for revenue.

Operating income

Millions of euro	3rd Quarter			
	2016	2015 restated	Change	
South Africa	(7)	(8)	1	12.5%
India	4	-	4	-
Total	(3)	(8)	5	62.5%

The **operating loss** totaled €3 million, an improvement of €5 million, taking account of an €8 million rise in depreciation, amortization and impairment losses.

Performance in the first nine months

Revenue

Millions of euro	First nine months			
	2016	2015 restated	Change	
South Africa	3	3	-	-
India	15	-	15	-
Total	**18**	**3**	**15**	**-**

Revenue for the first nine months of 2016 amounted to €18 million, up €15 million compared with the same period of the previous year. This increase is related to the consolidation of the Indian companies.

Gross operating margin

Millions of euro	First nine months			
	2016	2015 restated	Change	
South Africa	(3)	(7)	4	57.1%
India	10	-	10	-
Total	**7**	**(7)**	**14**	**-**

The **gross operating margin** in the first nine months of 2016 amounted to €7 million, an increase of €14 million compared with the first nine months of 2015. The change is due both to the consolidation of the Indian companies and the entry into operation and the higher output of plants in South Africa.

Operating income

Millions of euro	First nine months			
	2016	2015 restated	Change	
South Africa	(11)	(8)	(3)	-37.5%
India	6	-	6	-
Total	**(5)**	**(8)**	**3**	**37.5%**

The **operating loss** in the first nine months of 2016 totaled €5 million, an improvement of €3 million, taking account of an €11 million rise in depreciation, amortization and impairment losses, mainly attributable to the fact that most of the plants are in development and under construction and therefore are not fully operational.

Capital expenditure

Millions of euro	First nine months			
	2016	2015 restated	Change	
South Africa	253	200	53	26.5%
Total	**253**	**200**	**53**	**26.5%**

Capital expenditure in the first nine months of 2016 amounted to €253 million, up €53 million compared with the same period of the previous year. Investments were made mainly in photovoltaic plants in South Africa, while the portfolio of new projects in India is still in the pre-development stage.

Other, eliminations and adjustments

3rd Quarter				Millions of euro	First nine months				
2016	2015 restated	Change			**2016**		2015 restated	Change	
233	184	49	26.6%	Revenue (net of eliminations)	602		571	31	5.4%
(25)	(58)	33	56.9%	Gross operating margin	(103)		(129)	26	20.2%
(35)	(66)	31	47.0%	Operating income	(184)		(152)	(32)	-21.1%
				Capital expenditure	20	(1)	24	(4)	-16.7%

(1) Does not include €5 million regarding units classified as "held for sale ".

Performance in the 3rd Quarter

Revenue, net of eliminations, in the 3rd Quarter of 2016 came to €233 million, an increase of €49 million compared with the same period of the previous year (+26.6%), essentially due to an increase in renewables operations.

The **gross operating margin** for the 3rd Quarter of 2016, a loss of €25 million, improved by €33 million compared with the same period of 2015 due to the factor noted in the comments on revenue.

The **operating loss** came to €35 million, an improvement of €31 million compared with the 3rd Quarter of 2015.

Performance in the first nine months

Revenue, net of eliminations, in the first nine months of 2016 came to €602 million, up €31 million compared with the same period of the previous year (+5.4%).
This increase is essentially due to the increase in revenue from renewable energy and insurance activities, as well as the recognition of the gain on the sale of Compostilla RE (€19 million). These positive effects only partially offset the drop in engineering revenue (€53 million) as a result of the reduction in such activities in the first nine months of 2016 compared with the same period of 2015 related to the Mochovce nuclear plant and the gradual reduction in investment by the Group in conventional generation technologies. This negative trend was only partially offset by the increase in revenue resulting from the environment improvement work done on the coal plant of Litoral de Almeria in Spain.

The **gross operating margin** for the first nine months of 2016, a loss of €103 million, improved by €26 million and essentially reflects the increase in revenue.

The **operating loss** in the first nine months of 2016 came to €184 million, a deterioration of €32 million compared with the same period of 2015, taking account of an increase of €58 million in depreciation, amortization and impairment losses.

Capital expenditure

Capital expenditure in the first nine months of 2016 amounted to €20 million, down €4 million compared with the first nine months of 2015.

Analysis of the Group’s financial position

Net capital employed and related funding

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

Millions of euro

	at Sept. 30, 2016	at Dec. 31, 2015	Change	
Net non-current assets:				
- property, plant and equipment and intangible assets	91,445	88,686	2,759	3.1%
- goodwill	13,825	13,824	1	-
- equity investments accounted for using the equity method	1,026	607	419	69.0%
- other net non-current assets/(liabilities)	(987)	1,092	(2,079)	-
Total net non-current assets	**105,309**	**104,209**	**1,100**	**1.1%**
Net current assets:				
- trade receivables	13,310	12,797	513	4.0%
- inventories	2,772	2,904	(132)	-4.5%
- net receivables due from institutional market operators	(4,076)	(4,114)	38	0.9%
- other net current assets/(liabilities)	(4,614)	(5,518)	904	16.4%
- trade payables	(11,427)	(11,775)	348	3.0%
Total net current assets	**(4,035)**	**(5,706)**	**1,671**	**29.3%**
Gross capital employed	**101,274**	**98,503**	**2,771**	**2.8%**
Provisions:				
- employee benefits	(2,251)	(2,284)	33	1.4%
- provisions for risks and charges and net deferred taxes	(8,850)	(8,413)	(437)	-5.2%
Total provisions	**(11,101)**	**(10,697)**	**(404)**	**-3.8%**
Net assets held for sale	**75**	**1,490**	**(1,415)**	**-95.0%**
Net capital employed	**90,248**	**89,296**	**952**	**1.1%**
Total shareholders’ equity	**53,427**	**51,751**	**1,676**	**3.2%**
Net financial debt	**36,821**	**37,545**	**(724)**	**-1.9%**

Net capital employed at September 30, 2016 amounted to €90,248 million and was funded by shareholders’ equity attributable to the shareholders of the Parent Company and non-controlling interests in the amount of €53,427 million and net financial debt of €36,821 million. At September 30, 2016 the debt/equity ratio was 0.69 (0.73 at December 31, 2015).

Analysis of the Group's financial structure

Net financial debt

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

Millions of euro

	at Sept. 30, 2016	at Dec. 31, 2015	Change	
Long-term debt:				
- bank borrowings	7,365	6,863	502	7.3%
- bonds	31,474	35,987	(4,513)	-12.5%
- other borrowings	1,877	2,022	(145)	-7.2%
Long-term debt	*40,716*	*44,872*	*(4,156)*	*-9.3%*
Long-term financial receivables and securities	(2,830)	(2,335)	(495)	-21.2%
Net long-term debt	**37,886**	**42,537**	**(4,651)**	**-10.9%**
Short-term debt				
Bank borrowings:				
- short-term portion of long-term bank borrowings	879	844	35	4.1%
- other short-term bank borrowings	224	180	44	24.4%
Short-term bank borrowings	*1,103*	*1,024*	*79*	*7.7%*
Bonds (short-term portion)	3,584	4,570	(986)	-21.6%
Other borrowings (short-term portion)	250	319	(69)	-21.6%
Commercial paper	2,304	213	2,091	-
Cash collateral and other financing on derivatives	900	1,698	(798)	-47.0%
Other short-term financial payables (1)	150	64	86	-
Other short-term debt	*7,188*	*6,864*	*324*	*4.7%*
Long-term financial receivables (short-term portion)	(765)	(769)	4	0.5%
Factoring receivables	(102)	(147)	45	30.6%
Financial receivables and cash collateral	(1,888)	(1,020)	(868)	-85.1%
Other short-term financial receivables	(180)	(304)	124	40.8%
Cash and cash equivalents with banks and short-term securities	(6,421)	(10,640)	4,219	39.7%
Cash and cash equivalents and short-term financial receivables	*(9,356)*	*(12,880)*	*3,524*	*27.4%*
Net short-term debt	**(1,065)**	**(4,992)**	**3,927**	**78.7%**
NET FINANCIAL DEBT	**36,821**	**37,545**	**(724)**	**-1.9%**
Net financial debt of "Assets held for sale"	**4**	**841**	**(837)**	**-**

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

Net financial debt amounted to €36,821 million at September 30, 2016, a decrease of €724 million on December 31, 2015.

More specifically, net long-term debt fell by €4,651 million, the balance of an increase in long-term financial receivables of €495 million and a decline in gross long-term debt of €4,156 million.

With regard to the latter aggregate:

> bank borrowings amounted to €7,365 million, an increase of €502 million due mainly to drawings on long-term bank borrowings in Latin America (€644 million), South Africa (€76 million) and Russia (€140 million). In addition, in July 2016 Enel SpA agreed a 4-year line of credit of €500 million: at September 30, 2016 that line had been drawn in the amount of €50 million. The increase was partly offset by the reclassification to short term of long-term bank borrowings;

- bonds amounted to €31,474 million, a decrease of €4,513 million on the end of 2015, mainly reflecting:
  - the repurchase by Enel SpA of its own bonds in the total amount of €750 million as part of its broader liability management activities;
  - the reclassification to short term of the current portion of bonds maturing within the next 12 months in the total amount of €3,205 million, of which €909 million in respect of a bond issued by Enel SpA, €1,981 million in respect of two bonds issued by Enel Finance International and €315 million in respect of issues in local currency by the Latin America companies;
  - exchange rate gains of about €900 million;
  - new issues in the first nine months of 2016 amounting to €523 million, of which €183 million associated with the non-binding exchange offer made in May 2016 by Enel Finance International and €340 million in new bond issues by a number of Latin American companies denominated in local currencies;

  In the first nine months of 2016 repayments were made of the following bond issues:
  - €1,000 million in respect of a floating-rate bond issued by Enel SpA, which matured in February 2016;
  - €2,000 million in respect of a fixed-rate bond issued by Enel SpA, which matured in February 2016;
  - €1,080 million in respect of a fixed-rate bond issued by Enel Finance International, which matured in September 2016;
  - €103 million in respect of local-currency issues by Latin American companies.

The main financing contracts finalized in the first nine months of 2016 included those entered into by Endesa: €125 million in respect of a line of credit from Bankia and €150 million in respect of a loan from the European Investment Bank (EIB). Both were undrawn at September 30, 2016.

Net short-term debt showed a creditor position of €1,065 million at September 30, 2016, a decrease of €3,927 million on the end of 2015, the result of the increase in other short-term borrowings of €324 million, the decrease in cash and cash equivalents and short-term financial receivables in the amount of €3,524 million and the increase in short-term bank borrowings in the amount of €79 million.

Other short-term debt, totaling €7,188 million, includes commercial paper issued by Enel Finance International and International Endesa BV amounting to €2,304 million, as well as bonds maturing within 12 months amounting to €3,584 million.
Finally, cash collateral paid to counterparties in over-the-counter derivatives transactions on interest rates, exchange rates and commodities totaled €1,888 million, while cash collateral received from such counterparties amounted to €900 million.

Cash and cash equivalents and short-term financial receivables came to €9,356 million, down €3,524 million compared with the end of 2015, mainly reflecting the decrease in cash with banks and short-term securities in the amount of €4,219 million and in other short-term financial receivables for €124 million, as well as the increase in cash collateral paid to counterparties in over-the-counter derivatives transactions on interest rates, exchange rates and commodities of €868 million.

Cash flows

Cash flows from operating activities in the first nine months of 2016 were a positive €6,766 million, up €1,589 million on the same period of the previous year, mainly due to decreased use of cash in connection with the change in net current assets (notably in respect of trade payables due to institutional suppliers in the electricity distribution sector in Italy).

Cash flows from investing/disinvesting activities in the first nine months of 2016 absorbed funds in the amount of €4,768 million, while in the first nine months of 2015 they had absorbed liquidity totaling €4,653 million.
More specifically, cash requirements in respect of investments in property, plant and equipment and in intangible assets amounted to €5,504 million in the first nine months of 2016, up €423 million on the corresponding period of the previous year, mainly due to increased investment in renewables technologies.
Investments in entities or business units, net of cash and cash equivalents acquired, amounted to €31 million in the first nine months of 2016 and mainly regarded the acquisition of the Spanish company Eléctrica del Ebro, which operates in the electricity distribution sector, as well as the acquisition of Energía Limpia de Amistad, which operates in the wind generation sector in Mexico.
The disposal of entities and business units, net of cash and cash equivalents sold, generated cash flows of €727 million and regarded:

> the disposal of Hydro Dolomiti Enel, which operates in the hydroelectric generation sector in Italy, for €313 million;
> the sale of 50% of Slovak Power Holding, which in turns holds 66% of Slovenské elektrárne, for €139 million;
> the disposal of GNL Quintero, an associated company in which the Group held 20%, for €177 million;
> the disposal of a number of minor companies in North America.

In the first nine months of 2015, the same item amounted to €437 million and mainly included the cash flows generated by the sales of SE Hydropower and SF Energy, operating in the Italian hydroelectric generation sector, as well as the disposal of a number of minor companies in Latin America and North America.

Cash flows generated by other investing/disinvesting activities in the first nine months of 2016 amounted to €40 million, and are essentially attributable to ordinary disinvestments during the period.

Cash flows from financing activities absorbed liquidity in the amount of €6,516 million, while in the first nine months of 2015 they showed cash used of €5,176 million. The flow in the first nine months of 2016 is essentially associated with the reduction of net financial debt (the net balance of repayments and new borrowing) in the amount of €3,872 million and the payment of dividends totaling €2,442 million.

In the first nine months of 2016, cash flows from operating activities in the amount of €6,766 million only partly covered the cash needs for financing activities in the amount of €6,516 million and for investing activities totaling €4,768 million. The difference is reflected in the decrease in cash and cash equivalents, which at September 30, 2016 amounted to €6,423 million, compared with €10,790 million at the end of 2015. This decrease also reflects the effect of positive developments in the exchange rates of the various local currencies against the euro, equal to €151 million.

Significant events in the 3rd Quarter of 2016

Launch of innovation hub in Israel

On July 11, 2016, Enel launched its Innovation Hub in the Israeli city of Tel Aviv. Enel chose to team up with SOSA & The Junction, one of the most successful innovation communities in Israel, in order to offer one-stop-shop solutions to Israeli start-ups that are willing to develop and implement cutting-edge products and services that can have business and social impact. Enel Innovation Hub aims each year to scout up to 20 high-potential Israeli start-ups and to offer them a dedicated support program.

Disposal of Enel Longanesi Development

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

Enel Green Power wins tender for renewables in Indonesia

On July 14, 2016, Enel Green Power ("EGP"), in consortium with the Indonesian geothermal developer PT Optima Nusantara Energi ("PT ONE"), was awarded the right to explore geothermal resources and develop the 55 MW Way Ratai project in the Way Ratai area, in Indonesia's Lampung province. The project, awarded in the tender launched by the Indonesian Ministry of Energy and Mineral Resources in December last year, will be the first to be developed by Enel in the country, marking the company's entry into Indonesia's renewables market. Enel will be investing up to $30 million in the exploration phase of the project, as provided for in the investment program set out in the Group's current strategic plan. Construction of the geothermal power plant, which depends on the results of the exploration phase, is expected to be completed and enter operation in 2022. EGP and PT ONE will jointly establish a special purpose vehicle (SPV) for the project, with EGP having the majority stake in the SPV. In line with the tender rules, the power produced by the geothermal plant, which is expected to generate around 430 GWh per year, will be sold to the national utility PLN under a 30-year power purchase agreement.

Agreement for broadband in Catania and Venice

On July 19, 2016, the City of Catania and Enel OpEn Fiber ("EOF") signed the first agreement for the installation of optical fiber throughout the city. Enel OpEn Fiber's plan for Catania provides for work to begin in

September 2016, with a coverage of 50% of building units by June 2017 and 80% by the end of September 2018, for a total of 115,000 wired units, 200 km of underground cabling and 360 km of overhead cabling.
On August 16, 2016, the City of Venice and EOFsigned an initial agreement that will allow the laying of fiber optic cabling across the entire city. EOF’s plan for Venice provides for works to begin in September 2016, with coverage of 50% of building units by September 2017 and 80% by mid-2018, for a total of about 120,000 wired units, about 600 km of underground cabling and about 500 km of overhead cabling. The laying of the cable will rely on the support of the City of Venice to carry out the works rapidly.
In both cities, EOF wants to create an ultra-broadband fiber optic telecommunications network, at the same time handling its operation and maintenance, as well as offering, on non-discriminatory technical and financial conditions, wholesale access rights to all operators that request them. The fiber optic cabling will be brought to customers’ homes using a Fiber to the Home (FTTH) approach, which will be capable of supporting download and upload speeds of 1 Gbps. EOF has entered into separate agreements with leading national operators for the cabling of the first 10 municipalities provided for in its broadband development plan. The agreements provide for the connection of customers to the EOF network, guaranteeing coverage of at least 80% of the building units in each municipality, in accordance with the schedule indicated in the roll-out plan. EOF will also operate and maintain the new infrastructure.

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

On July 27, 2016, Enel Green Power International (“EGPI”), a wholly-owned subsidiary of Enel, and Endesa Generación, a wholly-owned subsidiary of Endesa, executed an agreement for EGPI to sell 60% of Enel Green Power España (“EGPE”) to Endesa Generación, which already holds the remaining 40% of EGPE and will therefore control 100% of the share capital of the company following the transaction. The price paid by Endesa Generación for the stake was €1,207 million.
In determining the price for the operation, the boards of directors of EGPI and Endesa adopted valuation techniques commonly used at the international level and drew on the expertise of prominent financial advisors, who issued a fairness opinion on the transaction. In compliance with the applicable Spanish regulations, the board of directors of Endesa approved the transaction subject to a favorable opinion of the *Comité de Auditoria y Cumplimiento*, with only independent directors participating in the vote.

Disposal of 50% of Slovenské elektrárne to EPH

On July 28, 2016, Enel Produzione closed the disposal to EP Slovakia, a subsidiary of Energetický a prumyslový holding (EPH), of 50% of Slovak Power Holding (“SPH”), which in turn holds 66% of Slovenské elektrárne.
The disposal was carried out in execution of the contract signed on December 18, 2015, between Enel Produzione and EP Slovakia. It represents the first phase of the sale of the Group’s entire stake held by Enel Produzione in Slovenské elektrárne, as provided for in that contract. More specifically, the disposal was carried out following the transfer to SPH of the entire 66% interest previously held directly by Enel Produzione in

Slovenské elektrárne and the receipt of clearance for the transaction from the antitrust authorities of the European Union.
The price was confirmed at €375 million, of which €150 million paid in conjunction with the sale and €225 million to be paid following the closing of the second phase of the operation. The consideration could vary subject to the application of an adjustment mechanism.

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

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

Enel confirmed in Dow Jones Sustainability World Index

On September 9, 2016, for the 13th year in a row, the Enel Group was again admitted to the Dow Jones Sustainability World Index (DJSI World). The Group’s Spanish subsidiary Endesa was also included. Enel and Endesa are two of the nine utility companies admitted to the index at the global level. Out of 316 companies admitted to the index, Enel is one of six based in Italy.
Enel’s commitment to delivering the highest sustainability standards has attracted increasing interest from socially responsible investment funds (SRIs): based on the latest figures as of December 31, 2015, SRIs own 7.7% of Enel’s total outstanding shares (5.9% at the end of 2014), equal to 10.3% of the company’s free-float (8.6% at December 31, 2014).

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

On September 13, 2016, after the approval of the Board of Directors of Enersis Americas, which met the day before, a voluntary public tender offer was launched for the shares of the subsidiary Endesa Americas. More specifically, the public tender offer regarded all of the shares and American Depositary Shares of Endesa Americas not held by Enersis Americas, which represent about 40.02% of the share capital of Endesa Americas. The price offered per share amounted to 300 Chilean pesos, for a total maximum outlay of about 984.7 billion Chilean pesos. The offer period ran from September 14 to October 28, 2016.
The voluntary public tender offer, which was first announced in November 2015 as part of the corporate restructuring of the Enel Group in Latin America, is intended to facilitate and support the successful merger of

Endesa Americas and the other subsidiary Chilectra Americas into Enersis Americas, a transaction whose approval and effectiveness is a condition of the tender offer. The tender offer is intended to give the minority shareholders of Endesa Americas the opportunity to liquidate their holdings at a set price in line with market conditions in the event that the merger mentioned above takes place.

On September 28, 2016, the Extraordinary Shareholders' Meetings of the Chilean subsidiaries Enersis Americas, Endesa Americas and Chilectra Americas approved the second and final phase of the corporate restructuring process to separate electricity generation and distribution operations in Chile from those in the other countries of Latin America. On the occasion of the Extraordinary Shareholders' Meetings, the shareholders of the three companies indicated above approved the merger of Endesa Americas and Chilectra Americas into Enersis Americas, the consequent increase in the latter's share capital and the change in its name to "Enel Americas". Once the merger takes effect, Enel Americas will own all of the equity investments held by Enersis Americas, Endesa Americas and Chilectra Americas.

More specifically, on the basis of the merger plan approved by the Extraordinary Shareholders' Meetings of the companies involved in the operation:

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

The merger will take effect subject to the following conditions:

- that the shareholders of Enersis Americas that did not participate in approving the merger exercise the right of withdrawal within the maximum limit of 10% of the capital of that company post-merger;
- that the shareholders of Endesa Americas that did not participate in approving the merger exercise the right of withdrawal within the maximum limit of 10% of the capital of that company.

All of the foregoing is without prejudice to the legal threshold under which, following any withdrawals, no shareholder may hold more than 65% of the company's share capital.

The conditions had been met as of October 31, 2016.

Finally, the merger of Endesa Americas and Chilectra Americas into Enersis Americas is scheduled to take effect as from the first day of the month following that in which the companies involved certify in writing that the above conditions have been met or that they have been waived.

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

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

Under the agreement, the investors will contribute the above amount to the wind farm's owner Cimarron Bend Wind Holdings in exchange for 100% of "Class B" membership interests in the project. This interest will allow the three investors to obtain, at certain conditions provided for under US tax laws, a percentage of the tax benefits that will be attributed to the Cimarron Bend project. In turn, EGPNA, through Cimarron Bend Wind Holdings, will retain 100% ownership of the "Class A" interests and therefore management control of the project.

The funding commitment came into effect at signing. Funds will be released in two phases, the first instalment being released mid-way through the construction of the 400 MW project and the second instalment upon completion of the project. The tax equity partnership will be supported by a parent company guarantee from Enel SpA.

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

Enel confirmed in STOXX Global ESG Leaders Index

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

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

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

Agreement for the sale of Marcinelle Energie

On September 28, 2016, Enel signed an agreement to sell Marcinelle Energie, a 100% subsidiary of Enel Investment Holding, to French electricity supplier Direct Energie. Following the closing of the transaction, expected in the coming months, Enel will exit the Belgian market. Marcinelle Energie owns and operates a combined cycle gas turbine (CCGT) power generation plant of around 400 MW in Belgium. Completion of the sale is subject to the meeting of a number of conditions, in particular authorization by the competent Belgian authorities. The sale price of €36 million, plus adjustments for the level of net working capital and liquidity at the closing date, will be subject to customary completion adjustments, including an earn-out mechanism.

Enel wins renewables tender in Mexico

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

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

Reference scenario

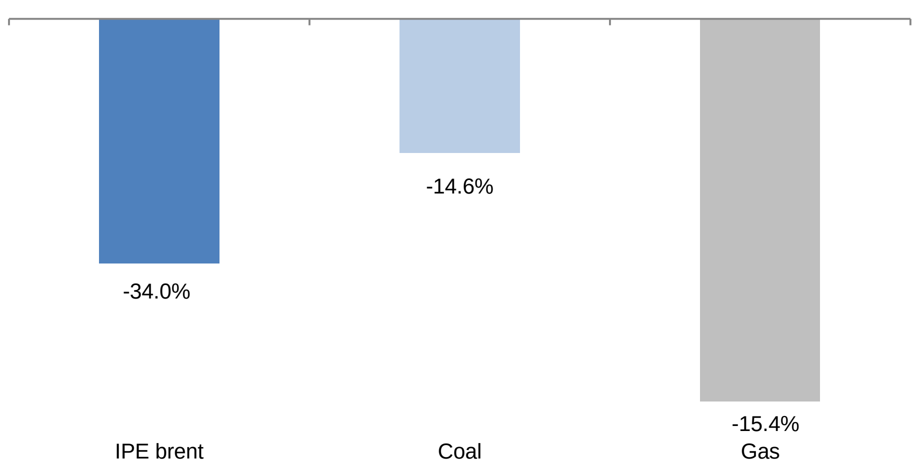
Developments in the main market indicators

	First nine months	
	2016	2015
Market indicators		
Average IPE Brent oil price ($/bbl)	42.0	55.4
Average price of CO_2 (€/ton)	5.3	7.6
Average price of coal ($/t CIF ARA) [(1)]	50.9	58.7
Average price of gas (€/MWh) [(2)]	13.0	20.8
Average dollar/euro exchange rate	1.12	1.11
Six-month Euribor (average for the period)	-0.15%	0.08%

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

Although the euro/dollar exchange rate has swung up and down, in the 3rd Quarter of 2016 it stabilized around its value in June. The policies of the ECB and developments in national economies have also held interest rates steady at very low levels compared with their historic values.

Change in average fuel prices in the first nine months of 2016 compared with the first nine months of 2015



Consumer price indices (CPI)

	First nine months		
	2016	2015	Change
Italy	**-**	**0.2%**	**-0.2%**
Spain	0.3%	-0.9%	1.2%
Russia	6.7%	15.7%	-9.0%
Slovakia	-0.4%	-0.5%	0.1%
Argentina	42.2%	14.4%	27.8%
Brazil	8.1%	9.5%	-1.4%
Chile	3.2%	4.6%	-1.4%
Colombia	7.4%	5.4%	2.0%
Peru	2.8%	3.9%	-1.1%

Exchange rates

	First nine months		
	2016	2015	Change
Euro/US dollar	1.11	1.15	-3.6%
Euro/Pound sterling	0.80	0.73	8.8%
Euro/Swiss franc	1.09	1.08	0.9%
US dollar/Japanese yen	108.48	120.92	-11.5%
US dollar/Canadian dollar	1.32	1.26	4.5%
US dollar/Australian dollar	1.32	1.26	4.5%
US dollar/Russian ruble	68.35	59.62	12.8%
US dollar/Argentine peso	16.24	10.00	38.4%
US dollar/Brazilian real	3.96	3.52	11.1%
US dollar/Chilean peso	759.11	713.67	6.0%
US dollar/Colombian peso	3,419.53	2,943.99	13.9%
US dollar/Peruvian sol	3.76	3.50	6.9%
US dollar/Mexican peso	20.44	17.37	15.0%
US dollar/Turkish lira	2.94	2.66	9.5%
US dollar/Indian rupee	67.13	66.00	1.7%
US dollar/South African rand	24.99	24.17	3.3%

Economic and energy conditions in the first nine months of 2016

Economic developments

The first nine months of 2016 were characterized by highly uneven and volatile developments in the world's main financial areas, with divergent behavior on the part of national central banks, which continued their accommodating monetary policy stances, while in the emerging economies inflationary pressures were countered with interest rate increases and devaluations.

In Europe, confidence has struggled to return to its pre-crisis levels (with weak recoveries in both public and private investment), while inflation rates continues to follow a negative trend, with core inflation falling to less than 1 per cent in the last two quarters owing to low commodity prices and depressed consumption. In this environment, the European Central Bank (ECB) strengthened its expansionary monetary stance with a number of measures: 1) a reduction of the interest rate on the deposit facility to -0.40%; 2) the refinancing rate was set at 0% and that on the marginal lending facility at 0.25%; and 3) the asset purchase program was expanded to €80 billion a month, with the inclusion of securities of non-financial issuers in addition to government securities in order to channel greater liquidity to the system. The climate has been strained even further by tensions in the banking sector, which has been heavily impacted by weak balance sheets and gross income eroded by low interest rates, with Italian banks among the hardest hit. The low profitability of the system (owing to the unsustainability of zero interest rates) and the low efficiency in managing costs (cost/income ratios remain high) have worsened the already delicate capital situation.

In Italy, the average NPL/CET1 ratio is 150%, the highest in Europe and is not sustainable. This is intrinsic to the primarily domestic business of the industry (especially the mutual banks) exacerbated by the stagnant economy. The banks are, however, well capitalized, with an average CET1 ratio of 12.3% (above the Basel III requirements).

The 1st Half of the year came to an end in conjunction with a very important event whose global economic and political consequences are still difficult to assess. On June 24, the United Kingdom voted in a referendum to leave the European Union. The markets had an immediate sharp reaction but then slowly returned to equilibrium values. Economic indicators remain positive but volatile (production index, employment and PBI increasing), with a shift in the timing of investment that has not yet materialized. Until Article 50 is invoked (and commercial agreements reached with the EU) it will be difficult to quantify the impact of the vote in terms of the postponement of investment and a contraction in consumption. The pound is at a historical low and inflation expectations are rising but will probably not prompt the Bank of England to change official rates as any increase could further undermine the outlook for growth. As regards the United States, growth and the labor market continued to perform well in recent months, with inflation remaining close to the target of 2%. Fears of a hard landing in China that characterized the early months of the year in particular, together with low commodity prices and the major impact this has had on the emerging economies and the uneven performance of the real economy, have delayed any increase in US interest rates and fueled a steady appreciation of the US dollar. This environment has engendered strong tensions in the financial markets, with the main stock indices posting losses (in particular Japan and Europe) in response to downwards revisions of expectations for earnings per share in the main sectors, an increase in the risk aversion of investors, with buying focusing on safe havens such as the yen, the Swiss franc, gold and German and Japanese government securities (with the latter offering negative returns at the short-term end of the curve).

Last February, the Bank of Japan (BoJ) decided to set negative interest rates on deposits in an attempt to further stimulate lending to the private sector and thus investment, supporting growth and, above all, stimulating inflation, which is still negative.

The situation is different in Latin America, which towards the end of 2015, with the economy already struggling, had to cope with the impact of El Niño, which caused flooding in Argentina and Chile and drought accompanied by high temperatures in Brazil. In 2016, the Latin America economies have been facing stagflation, with high inflationary pressures. In Argentina inflation continued to rise faster than expected in the 3rd Quarter, reaching 42%. The Government is working to contain month-on-month price growth and bring it under control with targets that will be implemented beginning in 2017 (12-17% in 2017 and 8-12% in 2018). The removal of exchange controls caused the peso to depreciate, normalizing the foreign exchange market with a view to reviving the engines of growth with a focus on exports and investment. President Macri has opened the economy, with trade policies aimed at streamlining import/export transactions and opening the economy to international markets. The Government's actions to stabilize the economy have not yet had a real impact on inflation. The coming months will be decisive for determining whether the impact of the government measures will be transferred to the real economy. In the first nine months of the year, inflation in Brazil was 8.3% year-on-year, driven by rising prices of agricultural goods and unprocessed food products, although the pace was slightly slower than previously.

Chile is passing through a difficult period. The unexpected increase of 0.4% in inflation in June (due to the increase in food and transportation costs) reflects the challenges of reducing inflation towards the 3% target level, compared with the 4.1% posted for the year to September. The Monetary Policy Committee continues to maintain a neutral monetary stance, while industrial activity has declined since the start of the year (although it grew by 3.6% year-on-year in August) and a weak labor market, with unemployment at 7%. Monetary policy action was similar in Peru, with rates unchanged at 4.25% since March. After falling in April (GDP rising by 2.5% year-on-year), indicators of economic activity then recovered to 3.8%. Inflation was stable in the 3rd Quarter at around 3% (3.1% in September), but sharply down from the 4.6% recorded last January. Different circumstances prevail in Colombia, where inflation rose out of control until July, reaching 8.6% and 8% year-on-year (the highest level in the last 16 years), before reversing course in the last two months: inflation is expected to have slipped to 7.4% in September, still well above the target of 3%. The increase was driven by the rise in the cost of food products and healthcare costs. Excluding food and energy prices, inflation remains high at 6.7%. The impact of the economic slowdown has not yet fed though to inflation, which continues to display signs of persistence and a large mismatch with expectations. As a result of this deterioration in the level of prices, the Monetary Policy Committee decided to maintain a restrictive approach, continuing the rise in rates through September.

In Russia, inflation turned downwards and is expected to have fallen below 7% in September as a result of a moderate acceleration in the decline in the prices of services. Nevertheless, attention must be paid to developments in food prices (which display persistent growth) and the effect of the potential weakening of the ruble against the dollar. Preliminary figures showed a year-on-year decrease of 1.2% in GDP in the 3rd Quarter of 2016, reflecting the continuing weakness of consumer spending (-5.8%) and the collapse in investment (-7.4), as well as a decline of 1.7% in exports.

International commodity prices

Since beginning of the year, oil prices have displayed considerable volatility, declining until February before rebounding strongly (up about 90%). The key factors contributing to these developments include: 1) a downward revision of forecasts of the economic performance of China and the United States (in the early months of the year); 2) an increase in speculative positions; 3) the desire of some OPEC and non-OPEC producers to consider a coordinated intervention; and 4) a number of unexpected disruptions in major fields that led to a reduction of more than two million barrels per day from February, thereby fostering a rebalancing of market fundamentals and prices. Since June prices have fluctuated between $40-50 a barrel, influenced by the recovery in drilling for shale gas despite bullish rumors of possible production cuts, which were incorporated in an agreement that will be defined in November setting out a strategy of cuts of up to 1 million barrels a day. Initially, prices were mainly driven by the general “risk-on risk-off” sentiment of investors, as demonstrated by the unusually high correlation with developments in the equity market, and then by speculation about the collapse of unconventional drilling in the United States and a freeze in OPEC production. Volatility increased following the removal of sanctions on exports by Iran and confirmation by that country’s Minister of Petroleum of its intention to increase oil production to 4 million barrels per day, despite the agreement between Saudi Arabia, Venezuela , Kuwait and Russia to freeze output at the average level in the early months of the year. Analysts expect a balancing of supply and demand in the oil market, which is currently affected by oversupply, in the second half of 2017, but this could come earlier as production cuts take effect.

Euro-area gas demand in the first nine months of the year showed growth of 0.25% thanks to an upturn in the 3rd Quarter. The commercial and industrial sectors offset the slack in the residential market. In Europe, prices fell steeply in the 1st Quarter of 2016 (-22%), but in the 2nd Quarter a fall in temperatures and initial planned and unplanned maintenance work in the Norwegian gas fields tightened the market, causing prices to rise. Nevertheless, at the fundamental level gas inventories in continental Europe remain very abundant: 87 billion cubic meters, compared with an average in the last 4 years of 65 billion cubic meters owing to persistent oversupply, with the exception of the United Kingdom owing to the unavailability of the Rough storage facility until March 2017.

In Italy, gas demand contracted by 0.5% in the 3rd Quarter of this year, after increases caused by the ample use of gas-fired generation plants in the summer. The main sources of imports remain Russia and Algeria, with the latter increasing supply by 130% (offsetting Libya, Norway, Holland and LNG). In Spain, demand was declined by 1.7% in the 3rd Quarter, influenced by milder temperatures. Imports from Algeria and supplies of LNG remained strong.

As regards coal, prices experienced a rapid surge late in the 1st Half of the year, driven by the covering of short positions on the forward market and fears of a shortage of the commodity at the Richard Bay hub in South Africa, and remained about $60 a metric ton in the 3rd Quarter. Prices in northern Europe (NWE) continued to rise, mainly due to the increase in Chinese imports and oil prices. The Far East market was the tightest, as demonstrated by the API2-API4 differential, which became negative. In Europe, the demand for coal in the power sector remains weak, but in the Pacific basin it is recovering strongly driven by the Chinese recovery owing to the limitation of local production.

Electricity and natural gas markets

Developments in electricity demand

3rd Quarter			GWh	First nine months		
2016	2015	Change		**2016**	2015	Change
79,477	**83,680**	**-5.0%**	**Italy**	**230,481**	**237,830**	**-3.1%**
64,187	63,936	0.4%	Spain	187,817	187,550	0.1%
177,517	172,855	2.7%	Russia	563,457	558,263	0.9%
7,018	6,939	1.1%	Slovakia	22,079	21,578	2.3%
34,463	34,791	-0.9%	Argentina	104,411	102,211	2.2%
131,573	132,354	-0.6%	Brazil	410,495	407,835	0.7%
18,252	17,898	2.0%	Chile	54,839	53,232	3.0%
16,346	17,062	-4.2%	Colombia	49,463	49,268	0.4%
12,026	11,082	8.5%	Peru	35,945	32,838	9.5%

Source: national TSOs.

In the first nine months of 2016, electricity demand in Italy contracted by 3.1%, while in Spain it was unchanged on the same period of the previous year. In Eastern Europe, demand rose slightly in Russia (running counter to the recession in that country, however), while in Slovakia it expanded by 2.3%, consistent with the growth in GDP. In Latin America, demand in Brazil rose by 0.7%, while in Argentina it increased at a slower pace than in previous months. Chile and Colombia saw demand grow by 3.0% and 0.4% respectively, while demand rose by 9.5% in Peru in the first nine months.

Electricity prices

	Average baseload price Q3 2016 (€/MWh)	Change in average baseload price Q3 2016 - Q3 2015	Average peakload price Q3 2016 (€/MWh)	Change in average peakload price Q3 2016 - Q3 2015
Italy	**40.9**	**-27.8%**	**45.1**	**-27.7%**
Spain	41.7	-25.1%	45.1	-27.0%
Russia	16.9	6.9%	19.3	5.9%
Slovakia	30.1	-16.6%	36.3	-20.6%
Brazil	29.4	-40.4%	56.0	-56.3%
Chile	59.0	22.3%	128.7	-26.0%
Colombia	43.8	-54.8%	239.5	-63.6%

Natural gas demand in the euro area fell in the first nine months of the year, due to a decline in residential use, partly offset by the recovery in demand for thermal generation and industrial use. Consumption contracted in both Italy and Spain compared with the same period of 2015. In the first nine months of 2016, demand in Spain fell by 1.7%, while that in Italy fell by 3.7% on the same period of the previous year.

Italy

Domestic natural gas demand

3rd Quarter				Millions of m³	First nine months			
2016	2015	Change			**2016**	2015	Change	
2,797	2,783	14	0.5%	Residential and civil	19,711	21,283	(1,572)	-7.4%
2,859	2,896	(37)	-1.3%	Industry and services	9,300	9,519	(219)	-2.3%
5,619	5,983	(364)	-6.1%	Thermal generation	15,238	15,170	68	0.4%
208	198	10	5.1%	Other (1)	974	995	(21)	-2.1%
11,483	**11,860**	**(377)**	**-3.2%**	**Total**	**45,223**	**46,967**	**(1,744)**	**-3.7%**

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

The demand for natural gas in Italy in the first nine months of 2016 amounted to 45.2 billion cubic meters, a decrease of 3.7% on the same period of 2015. In the 3rd Quarter of 2016, consumption contracted by 3.2% compared with the 3rd Quarter of 2015, with demand in industry and thermal generation turning downwards at a faster pace in July and August compared with the 1st Half due to weak electricity demand and the penetration of renewables, before returning to 2015 levels in September. Demand for residential and civil uses also remained weak.

Domestic electricity generation and demand

3rd Quarter				Millions of kWh	First nine months			
2016	2015	Change			**2016**	2015	Change	
				Net electricity generation:				
46,478	49,369	(2,891)	-5.9%	- thermal	130,301	133,177	(2,876)	-2.2%
12,241	12,395	(154)	-1.2%	- hydroelectric	33,746	35,996	(2,250)	-6.3%
2,994	2,698	296	11.0%	- wind	13,132	11,598	1,534	13.2%
1,456	1,444	12	0.8%	- geothermal	4,409	4,318	91	2.1%
7,753	8,175	(422)	-5.2%	- photovoltaic	19,022	21,145	(2,123)	-10.0%
70,922	**74,081**	**(3,159)**	**-4.3%**	**Total net electricity generation**	**200,610**	**206,234**	**(5,624)**	**-2.7%**
8,970	9,961	(991)	-9.9%	Net electricity imports	31,526	32,902	(1,376)	-4.2%
79,892	**84,042**	**(4,150)**	**-4.9%**	**Electricity delivered to the network**	**232,136**	**239,136**	**(7,000)**	**-2.9%**
(415)	(362)	(53)	-14.6%	Consumption for pumping	(1,655)	(1,306)	(349)	-26.7%
79,477	**83,680**	**(4,203)**	**-5.0%**	**Electricity demand**	**230,481**	**237,830**	**(7,349)**	**-3.1%**

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

Electricity demand in Italy in the first nine months of 2016 decreased by 3.1% compared with the year-earlier period, to 230.5 TWh (79.5 TWh in the 3rd Quarter of 2016). Of total electricity demand, 86.3% was met by net domestic electricity generation for consumption (86.2% in the first nine months of 2015) with the remaining 13.7% being met by net electricity imports (13.8% in the first nine months of 2015).

Net electricity imports in the first nine months of 2016 decreased by 4.2% on the first nine months of 2015, with an even sharper decrease in the 3rd Quarter (-9.9%, or -1.0 TWh).

Net electricity generation in the first nine months of 2016 declined by 2.7% (-5.6 TWh) to 200.6 TWh (70.9 TWh in the 3rd Quarter of 2016). More specifically, the decrease in hydroelectric generation (-2.2 TWh) attributable to better water conditions in the year-earlier period, and a reduction in photovoltaic generation (-2.1 TWh) and thermal generation (-2.9 TWh) more than offset the rise in generation from other renewable resources (+1.6 TWh).
A similar pattern was recorded in the 3rd Quarter of 2016.

Spain

Electricity generation and demand in the peninsular market

3rd Quarter				Millions of kWh	First nine months			
2016	2015	Change			**2016**	2015	Change	
61,973	65,728	(3,755)	-5.7%	Net electricity generation	185,963	193,756	(7,793)	-4.0%
(443)	(714)	271	38.0%	Consumption for pumping	(3,916)	(3,200)	(716)	-22.4%
2,657	(1,078)	3,735	-	Net electricity exports [(1)]	5,770	(3,006)	8,776	-
64,187	**63,936**	**251**	**0.4%**	**Electricity demand**	**187,817**	**187,550**	**267**	**0.1%**

(1) Includes the balance of trade with the extra-peninsular system.
Source: Red Eléctrica de España (*Estadística diaria* - September 2016 and *Estadística diaria* - September 2015 for the peninsular system).
The volumes reported for the first nine months of 2015 are updated to May 9, 2016.

Electricity demand in the peninsular market in the first nine months of 2016 increased by 0.1% compared with the same period of 2015 (+0.4% in the 3rd Quarter of 2016), standing at 187.8 TWh (64.2 TWh in the 3rd Quarter of 2016). Demand was entirely met by net domestic electricity generation for consumption.

Net electricity exports in the first nine months of 2016 decreased from their level in the same period of 2015, with imports rising to meet national demand. A similar pattern was registered in the 3rd Quarter of 2016.

Net electricity generation in the first nine months of 2016 totaled 186.0 TWh (62.0 TWh in the 3rd Quarter of 2016), a decrease of 4.0% (-7.8 TWh). Similar developments were recorded in the 3rd Quarter of 2016.

Electricity generation and demand in the extra-peninsular market

3rd Quarter				Millions of kWh	First nine months			
2016	2015	Change			**2016**	2015	Change	
3,879	3,806	73	1.9%	Net electricity generation	10,388	10,273	115	1.1%
406	471	(65)	-13.8%	Net electricity imports	1,015	1,071	(56)	-5.2%
4,285	**4,277**	**8**	**0.2%**	**Electricity demand**	**11,403**	**11,344**	**59**	**0.5%**

Source: Red Eléctrica de España (*Estadística diaria* - September 2016 and *Estadística diaria* - September 2015 for the extra-peninsular system). The volumes reported for the first nine months of 2015 are updated to May 9, 2016.

Electricity demand in the extra-peninsular market in the first nine months of 2016 rose by 0.5% compared with the first nine months of 2015, to 11.4 TWh (4.3 TWh, +0.2% in the 3rd Quarter of 2016). Of total demand, 91.1% was met by net generation in the extra-peninsular market, with net imports accounting for the remaining 8.9%.

Net electricity imports in the first nine months of 2016 amounted to 1.0 TWh (0.4 TWh in the 3rd Quarter of 2016) and were entirely accounted for by trade with the Iberian Peninsula.

Net electricity generation in the first nine months of 2016 rose by 1.1% (+0.1 TWh) compared with the same period of the previous year, essentially attributable to the increase in demand in the extra-peninsular market. Developments were similar in the 3rd Quarter of 2016.

Regulatory and rate issues

Compared with the consolidated financial statements at December 31, 2015, which readers are invited to consult for a more detailed discussion of developments, the following section reports the main changes in the period with regard to regulatory and rate issues in the countries in which Enel operates.

The European regulatory framework

Entry into force of MIFID II/MIFIR

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

The Italian regulatory framework

With Resolution no. 137/2016/R/com, the Authority for Electricity, Gas and the Water System (the Authority) replaced the Accounting Unbundling Consolidated Text issued with Resolution no. 231/2014/R/com (in force until 2015) with a new text, with consolidated provisions for the water sector (in force as from 2016).

In 2015, with its Resolution 296/2015/R/com, the Authority regulated the functional unbundling requirements for operators in the electricity and gas sector. More specifically, the Authority confirmed that companies must maintain a separation between the brand, other distinguishing marks (including the company name) and communication policies of distribution companies and those of the companies that sell power that operate within the same group. Separation must also be maintained between those companies that sell electricity on the free market and those that do so on the enhanced protection market.
Between April and June 2016 the Regional Administrative Court of Lombardy rejected the appeals lodged by Enel Distribuzione, Enel Servizio Elettrico and Enel Energia. In implementation of the court's ruling, Enel Distribuzione modified its company name (and the associated brand) to "e-distribuzione SpA". e-distribuzione SpA and Enel Servizio Elettrico appealed the ruling of the Regional Administrative Court before the Council of State, while Enel Energia is also preparing an appeal.
With Resolution no. 327/2016/R/eel, the Authority extended the deadline for sales companies operating in the enhanced protection market and the free market to implement the separation of their brands, other distinguishing marks and communication policies provided for in Resolution no. 296/2015/R/com to January 1, 2017.

With Resolution no. 333/2016/R/eel, the Authority specified the regulation for actual imbalances in the July 2012 - September 2014 period following the rulings of the Regional Administrative Court of Lombardy and the Council of State that had voided the previous regulations.
With Resolution no. 444/2016/r/eel, the Authority reformed the rules governing imbalancing prices for calculating actual imbalances, providing for the application of a mixed single price/dual price system to consumption units and production units not authorized to participate in the Ancillary Services Market.

Italy

Generation

With Resolution no. 326/2016/R/eel, the Authority charged Terna with conducting the competitive tender for assigning contracts for the supply of replacement tertiary reserves in Sardinia for the period from July 1, 2016 to December 31, 2018. The contracts awarded by Terna establish a requirement to supply the Ancillary Services Market at the variable cost paid to the plant for a premium established in the competitive tender. Following the tender, all of the capacity was contracted with Enel's Sulcis plant.

Following the entry into service of the new Sorgente-Rizziconi connection between Sicily and the mainland on May 28, 2016, Resolution no. 274/2016/R/eel established the termination, as from that date, of the essential plants system under Decree Law 9 of June 24, 2014. That decree had established that schedulable generation plants with a capacity of more than 50 MW located in Sicily should be considered essential units eligible for reimbursement of costs as from January 1, 2015 until the date of entry into service of the Sorgente-Rizziconi connection.

With Resolution no. 342/2016/E/eel, the Authority ordered the start of a proceeding for the adoption of measures (prescriptive measures or asymmetric regulations) to prevent certain conduct by users of dispatching services in the wholesale electricity market that could constitute market abuse pursuant to Regulation (EU) 1227/2011 (REMIT).

With the subsequent Resolution no. 477/2016/E/eel, the Authority reported the conduct of a number of dispatching users delivering power operating on the Ancillary Services Market to the Competition Authority for an investigation of possible violations of competition rules. One of these users was Enel Produzione SpA with regard to the supply of power from the Brindisi plant to the wholesale market. Following the report filed by the Authority, on October 6, 2016, the Competition Authority began an enquiry involving Enel SpA and Enel Produzione SpA to determine the existence of a possible abuse of a dominant position in the Ancillary Services Market.

Distribution

Distribution and metering

With Resolution no. 87/2016/R/eel, the Authority approved the functional specifications of second generation electronic meters and also established performance levels for the new smart metering systems.

A subsequent resolution will define the criteria for remunerating the investment following another consultation.

With Resolution no. 233/2016/R/eel, the Authority published the provisional reference rates for electricity distribution for 2016, which are used to determine the level of revenue recognized for each operator. Those rates incorporate the changes introduced with Resolution no. 654/2015/R/eel, and specifically the elimination of the regulatory lag and the associated increase of one percentage point in the WACC guaranteed to operators to compensate for the fact that the remuneration of investments was only allowed in rates as from the second year following the investment. Accordingly, those rates include the remuneration, determined on the basis of the WACC, of regulatory capital employed for 2015 and the remuneration, again calculated on the basis of the WACC, of the one-off increase in net non-current assets for 2012-2014, following the elimination of the increase in the WACC mentioned above.

As regards the calculation of the guarantees pledged by sellers to distributors in respect of transport services, the ruling of the Council of State of May 24, 2016 voided Resolution no. 612/2013/R/eel, establishing that those guarantees must be calculated net of system charges. The ruling nevertheless stated that the parties could govern this issue contractually in individual transport contracts.

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

With Resolution no. 458/2016/R/eel, the Authority issued the new Electricity Metering Integrated Code, which will enter force on January 1, 2017. The changes include modifications of the obligations of distributors concerning the reading of low-voltage meters, increasing the frequency of those readings and modifying the system of penalties for failure to carry out meter reading as required. The measure also extends the functions requirements for the 2G meters set out in Resolution no. 87/2016/R/eel to low-voltage generation metering points.

As regards the procedures and financial terms for the connection of generation plants to distribution and transmission grids, the Authority published Resolution no. 424/2016/R/eel, which updated the Integrated Grid Connection Code, introducing differentiated fees for low-capacity plants.

Sales

With Resolution no. 209/2016/E/com, the Authority regulated mandatory conciliation as a prerequisite for taking legal action in disputes between end users and operators. The rules take effect as from January 1, 2017.

Electricity

With Resolution no. 369/2016/R/eel the Authority approved, with effect as from January 1, 2017, the rules governing the Market Similar Safeguard system and the reform of the service delivery conditions for the Enhanced Protection system.

The Market Similar Safeguard system and the reformed Enhanced Protection system are instruments developed by the Authority to accompany customers in the transition to the free market.

In the Market Similar Safeguard system, customers who have not yet selected a supplier on the free market can experiment with a supply contract that is closer to that offered on the free market while preserving the Authority's "surveillance" functions.

Within the Integrated Information System, which manages information flows among electricity and gas market operators, the Authority issued Resolutions no. 73/2016/R/eel and 553/2016/R/eel centralizing a number of activities associated with the signing and termination of dispatching, transmission and distribution contracts.

Gas

With regard to the definition of the price component covering natural gas supply costs, the Authority confirmed the current procedures for the period October 1, 2016 - December 31, 2017, extending its validity by a quarter with respect to the duration of the gas year. These procedures provide for full indexing to spot prices observed on the Dutch hub of the Title Transfer Facility (TTF), pending the development of greater liquidity on Italian wholesale markets.

With Resolution no. 312/2016/R/GAS, on October 1, 2016, the Authority, in implementation of Regulation (EU) no. 312/14, launched the new balancing system in order to increase the availability of flexible resources for system balancing and to improve the information available to users.

Renewables

On June 23, 2016, the Minister for Economic Development, the Minister for the Environment and the Minister for Agricultural Policy signed a decree for incentives for renewable resources other than photovoltaics for 2016. About 1,400 MW of capacity will be auctioned, broken down by technology. The more efficient mature technologies (such as wind power) will be assigned about half of the available resources.

The incentives will be allotted in lowest bid auctions differentiated by technology for large plants (>5 MW), while smaller plants will have to ask to be entered in specific registers. The proceedings are currently under way and will conclude on October 28 (registers) and November 27 (auctions). The draft decree was authorized by the European Commission to ensure its compliance with guidelines on state aid in the energy and environmental field.

Once fully operational, the decree will provide more than €400 million a year to the new plants selected in 2016. The overall ceiling of €5.8 billion a year for expenditure on renewable energy other than photovoltaics will remain in place.

Iberia

Spain

Remuneration of distribution

On March 31, 2016 the Ministry for Industry, Energy and Tourism initiated the procedure for the introduction of a new ministerial order that will establish the remuneration of distribution activities for 2016, in accordance with the provisions of Order IET/2735/2015. Temporarily, the remuneration for 2015 will be retained until the new order is approved.

That order (Ministerial Order IET/980/2016) was published on June 16, establishing the remuneration for distribution activities for 2016. Endesa was allocated a remuneration of €2,014 million. In addition, the incentives for service quality and non-technical losses for Endesa were set at €7 million and €2 million respectively. That order also sets the base remuneration for the first regulatory period from January 1, 2016 to December 31, 2019.

Social Discount

On September 10, 2016, Order IET/1451/2016 was published, specifying the percentage allocations of the cost of financing the Social Discount for 2016. Endesa will bear 41.10% of the cost.

Renewables

In the final months of 2015 the criteria for awarding incentives to new renewable energy plants were defined, in line with the new regulatory framework. This voided the moratorium imposed with Royal Decree Law 1/2012. The criteria, which provide for the award to be made through an auction system, had already been envisaged in the new law on electricity supply, although the details of application had not yet been specified. These were defined with Royal Decree 947/2015, Ministerial Decree IET/2212/2015 and the resolution of November 30 of the Secretary of Energy. The first auction, scheduled for January 14, 2016, involved 500 MW of wind capacity and 200 MW of biomass. For wind projects, the auction was completed successfully without incentives, while for biomass projects the only incentive awarded was that linked to the operating costs of the plants (the Ro component). Enel Green Power España, which participated in the auction for the award of wind capacity, was not awarded any project.

On February 10, 2016, the eligibility tests that renewable energy plants must pass to be considered eligible for participation in system adjustment services were begun.

As part of the discussions under way for the formation of a new Government in Spain, all of the political parties, with the sole exception of the Partido Popular (PP), signed a proposal to reform the regulations governing self-consumption, with the aim of promoting its development in the country. Among the proposed measures, the most important regard the elimination of system costs that are currently charged to the vast majority of consumers and the possibility for consumer to share self-consumption plants. Naturally the success of the proposal depends on the formation of a new Government by the signatories of the accord, especially following the new elections held on June 26. The situation is marked by considerable uncertainty and will require new negotiations with the other parties, which could last until August.

In view of the political uncertainty in Spain and the difficulty of forming a new Government, there have not been any regulatory developments in energy policy for companies in the renewables sector.

In any event, the 4th Quarter of 2016 should bring changes to a number of rate parameters for Spanish renewables companies for the 2017-2019 period.

Morocco

Renewables

In February 2016, the Government endorsed bill no. 58 of 2015 amending a number of aspects of Law 09/2013. The bill allows renewables generators to also access low-voltage grids. The specific conditions for doing so will be specified and regulated subsequently. The bill also regulates aspects concerning the delivery of excess renewable electricity to the high-voltage grid.

On June 9, 2016, Law 48/2015 was published in the official journal. It organizes the electricity market and creates a new electricity regulator (ANRE). The new regulator will have to set electricity transport and distribution rates and eliminate discrimination in access to electricity transmission grids.

On June 24, 2016 the Government approved three decree laws that primarily reformed the operation of the Moroccan Agency for Solar Energy (MASEN). The decrees must now be approved by the two houses of the Moroccan parliament. In the future, MASEN will replace the national utility ONEE in supervising renewables activities in Morocco, with the exception of renewables plants operated by private citizens (Law 13/2009) and pumping stations (STEP). In short, the reform transfers activities and duties from ONEE to MASEN. With the new changes, the ADEREE public agency will focus on energy efficiency issues.

In the 3rd Quarter of 2016, three new laws were published that modify the functions of a number of major energy regulatory agencies in Morocco:

- Law 37/2016, which amends Law 57/2009, providing for the reform of MASEN, renaming the agency the "Moroccan Agency for Sustainable Energy". The Agency will be involved in developing the generation of electricity from all renewable resources (wind, solar, water) with objectives set by law (it will have to build new plants with a total capacity of 3,000 MW by 2020 and 6,000 MW by 2030). Private investors will be able to develop renewable energy plants in application of Law 13/2009;
- Law 38/2016, which amends Article 2 of Dahir 1-63-226, providing for the removal of all functions involved with renewable energy generation from ONEE, with the exception of so-called STEPs and renewables projects within the scope of Law 13/2009, and transferring all production assets (RE) and part of the employees of ONEE to MASEN (within a maximum of five years);

- Law 39/2016, which amends Law 16/2009, providing for the transfer of all ADEREE responsibilities concerning renewable energy generation to MASEN. ADEREE will essentially be responsible solely for energy efficiency and will change its name to "*Agence Marocaine pour l'Efficacité Energétique*".

Europe and North Africa

Russia

Capacity market and capacity payments

On June 27, 2016, Government Decree 563 was published, amending the calculation method used to determine capacity payments (DPM) that will ensure accurate determination of those payments for 2017 and beyond.

On July 25, 2016, the terms of participation in capacity market auctions were revised to permit demand to access the mechanism through the reduction of consumption.

The most recent capacity auctions (results published on September 20, 2016) set the parameters (price and quality) for 2020.

Renewables

With Government Decree no. 850 of May 10, 2016, the following changes were made to the regulations governing renewables:

- the incentive system for photovoltaic installations and small hydro systems was extended to 2024 (from 2020);
- the capacity volume targets for solar and small hydro, which were not selected for previous auctions (2013-2015), were achieved and reallocated until 2024 (85.8 MW for solar and 168 MW for small hydro);
- the total volume target was kept at the initial level (5,871 MW).

On June 14, 2016 the final results of the auctions for investment in renewable resources for 2016-2019 were announced, with the award of projects for wind plants only.

On September 29, the Government Decree on state compensation for the connection of renewable resource plants or peat-fired plants to the grid was published. The rules, which apply to plants with an installed capacity of up to 25 MW, establish that compensation may not exceed 70% of the grid connection cost or in any case 15 million rubles per plant.

Antitrust regulations

On July 5, 2016, the Federal Antitrust Service (FAS) issued an official warning for T Plus to cease its unfair practices against Enel Russia in the heat market. More specifically, the warning requires T Plus to enter into a heat supply contract with Enel Russia for the SuGRES plant in Yekaterinburg.

Romania

Recognition of investments in rates

On March 4, 2016, the regulator ANRE approved a new procedure for incorporating investment in electricity rates, which will enter force in 2017 and in 2016 will serve as a recommendation for distributors.
The procedure establishes (i) no recognition of inefficient investments; (ii) no recognition of costs for the works that exceed 10% of budgeted costs; and (iii) the possibility of modifying the annual investment plan by a maximum of 10% once it has been submitted. In this regard, ANRE is conducting an enquiry into investments made in 2014, with a risk that Enel will not be awarded certain costs for Group companies. The deadline for providing documentation and replies to ANRE is August 31, 2016.
In April 2016, the Court of Auditors also published a report on the operation of energy markets and the work of ANRE for the years 2010-2014. The report underscored the fact that ANRE did not comply with the statutory obligation to avoid increases in distribution rates, as the authority recognized investments for rate purposes without appropriate checks, set grid losses too high and performed incorrect calculations of the WACC.

End-user rates

According to the calendar for the liberalization of the retail market, as from July 1, 2016 the percentage of electricity purchased on the free market and used to supply customers of the universal service (PCSU) will be 70%.

Rebranding of distribution companies

On August 16, ANRE sent electricity distribution companies a letter containing the minimum measures distributors must implement with regard to rebranding.
On October 17, Enel notified ANRE that it had adopted a new name and logo for its distribution companies in Romania.

Greece

Renewables

The Greek incentive system uses a feed-in tariff differentiated by renewable energy resource. In the 2012-2014 period, a range of measures were introduced to reduce the system deficit, decreasing incentives. Based on the 2014-2020 guidelines on state aid, a new renewable energy resource support mechanism, based on feed-in premiums and tenders, entered force on January 1, 2016, replacing the existing system. The definitive scheme was approved by parliament on August 9, 2016 (Law 4414/2016).
The Wholesale Electricity Market and the Capacity Assurance Mechanism (CAM) are undergoing reform. While the reform of the wholesale market should be completed by December 2017 and that of the imbalancing market by June 2017, in May 2016 a temporary model for the CAM (based on four pillars: capacity availability, flexibility, strategic reserve and demand-side response) was approved by the Greek parliament. The temporary system will be replaced by a permanent mechanism that should enter force in 2017.

Turkey

Renewables

On May 1, 2016, the national regulatory authority (EMRA) modified the legislation governing the incentive mechanism with regard to the exemption from participation in the balancing market.
On June 17, 2016, the parliament approved amendments to the Energy Act, including a change in the tender mechanism for renewables. The secondary legislation will be published in the coming months.

Latin America

Argentina

Rate revision and other regulatory developments in Argentina

On January 27, 2016, *Resolución* no. 06 of the *Ministerio De Energía y Minería* was published. It approves quarterly summer reprogramming until April 2017 for the wholesale electricity market, to be carried out on the basis of new criteria that in determining the price take account of (i) the effective cost of electricity adjusted for subsidies; (ii) new price schemes that differ for each type of residential customer on the basis of the capacity for consumption savings and (iii) a new social rate. The resolution is an important step towards the reconstruction of the entire value change and the associated payment cycle for the electricity market.
Following that resolution, on January 28, 2016, *Resolución* no. 07 of the *Ministerio De Energía y Minería*, expressly targeted at the distribution companies EDESUR SA and EDENOR SA, instructs ENRE to exercise its power to increase rates, preliminary to the upcoming *Revisión Tarifaria Integrál* (RTI), applying the above transitional rate regime for those two distribution companies. In addition, it terminates application of the PUREE and introduces a new social rate for all customers. It also establishes a deadline of December 31, 2016 for the definition of the RTI.
The new administration intends to return to the fundamental principles that inspired Law 24065 of 1991 and to normalize the electrical sector as requested by industry operators.
On January 29, 2016, ENRE therefore issued:

> Resolución no. 1/2016, which contains a new rate framework to apply to each category of customer as from February 1, 2016, and rules governing supply, which now provides for monthly invoicing;
> Resolución no. 2/2016, which provides for the closure of the FOCEDE as from January 31, 2016 and establishes a new system for funds received in application of Resolución ENRE no. 347/12. More specifically, those funds will no longer be managed by a trust, instead being deposited them in a current account held with a banking institution recognized by Argentina's central bank.

On March 30, 2016, the Argentine Secretary of Electricity (SEE), which reports to the *Ministerio De Energía y Minería*, issued Resolution no. 22/2016 updating the rates set with Resolution no. 482/2015, which would be applied as from February 2016. The increases regarded the remuneration of the fixed costs of thermal generation units (+70%) and hydroelectric plants (+120%), while the remuneration of variable costs was increased by 40% for both generation technologies.
The rates for the non-recurring maintenance component were increased by 60% and 25% for thermal and hydroelectric plants respectively, while the additional remuneration was left unchanged. In any event, the

resolution is to be considered a temporary measure pending the new regulatory framework for the sector to be announced by the Government.

Development of new thermal generation capacity

On March 22, 2016, SEE Resolution no. 21/16 invited interested parties to submit bids for new thermal generation capacity until the summer of 2018. The tender is not open to units in existence prior to the publication of the resolution, units already connected to the Argentine interconnection system (SADI) or for which the power generated is already committed under other executive agreements.

The contract provided for in the resolution may have a duration of between five and 10 years with CAMMESA in representation of the operators of the MEM, with remuneration for capacity to be set in US dollars/MW/month and for power generated in US dollars/MWh, with the price differentiated by type of fuel. The disbursement and recognition of the cost of fuels will be carried out using existing procedures. Minimum capacity thresholds have been set for each grid connection point. On June 14, the results of the auction of new thermal generation capacity were published in the official journal, with the award of 1,915 MW. The capacity bids are staggered in time: 545 MW to enter service by December 2016; 685 MW by March 2017; 229 MW by June 2017 and the remaining 456 MW by 2018.

Renewables

Between May and October, the first auction procedure devoted to renewables was carried out. It involved the award of about 1 GW of capacity. The auction was intended to achieve the 2017 target for renewables generation (8%) introduced with Law 27.191, which as approved in September 2015. It provided for the award of 20-year electricity supply contracts with financial support from the government and the World Bank. The Government also announced a second auction procedure that is scheduled to be completed in 2017 and a re-bidding procedure for part of the projects that did not win in the first auction.

Brazil

"*Bandeiras Tarifárias*" update

On February 1, 2016, the highest generation costs classes, "Yellow" and "Red", were subdivided into additional classes. In any event, developments in water conditions in the period, which returned reservoirs to acceptable levels, gave rise to the repositioning of the "*Bandeiras Tarifárias*" to level "Yellow" in March 2016 and "Green" in April 2016. The mechanism, which provides for the application of an extra-cost differentiated by class of generation cost representing progressively worse conditions (Green, Yellow and Red) to be billed to end-users without having to wait for subsequent rate revisions, took effect at the start of 2015 in response to the increasingly large divergence between costs recognized in rates and effective costs, partly due to the continuation of drought conditions.

Conta de Desenvolvimento Energético (CDE)

Created with Law 10438/2002, the CDE is a government fund designed to foster the development of generation from alternative energy sources, promote the globalization of energy services and subsidize low-income residential customers. The fund is financed with a surcharge levied through rates for consumers and generators.

On December 15, 2015, ANEEL launched a public consultation with system operators to define the CDE's provisional 2016 budget.

ANEEL's initial proposal was to reduce the rate surcharge for the CDE by 36%, taking account of the fact that the substantial reduction in the cost of fuels, which had already begun in 2015, had not been promptly reflected in reductions in the rate surcharges in 2016.

Resolución n. 1.576 authorized distribution companies to offset the reduction in amounts billed (following application of the court ruling upholding the demand of certain appellants to be charged a lower CDE rate surcharge) in monthly installments. The difference between the normal rate and that established in the court ruling will be recovered by the distribution companies through smaller monthly payments to the fund.

Personnel sharing and contracts between related parties

On January 28, 2016, ANEEL approved new rules for sharing personnel and infrastructure among companies belonging to the same group and for approving contracts between related parties. The rules envisage the following measures:

> the sharing of personnel and administrative infrastructure between companies of the same group is permitted even if they operate in different segments (e.g. generation, distribution, transmission, sales and holding companies);

> contracting with personnel must evaluate the various possible approaches and contractual forms, taking care to select the most beneficial in financial terms. Contracts for the provision of services, which must comply with the principle of economic, financial, administrative and operational separation of the companies involved, may have a maximum duration of five years and can be renewed upon request if justified on economic grounds;

> approval of contracts between related parties must comply with the new rules set by ANEEL, which is also responsible for monitoring compliance with the specified limits.

Portaria no. 237

On June 6, 2016, the Minister of Mines and Energy ("MME") signed *Portaria* no. 237, which allows electricity distribution companies to ask the ministry for investments in high-voltage grids and substations to be classified as high priority. Such classification makes it possible to issue bonds for infrastructure projects, which are long-term financial liabilities with longer maturities than standard bonds and which also give issuers tax benefits.

Provisional Measure no. 735

Provisional Measure no. 735 of June 22, 2016 (subsequently ratified with Law 29/2016 on October 20, 2016) established the following in relation to additional system charges:

> as from January 1, 2017, the Chamber of Commercialization of Electrical Energy (CCEE) will replace Electrobras as the company charged with collecting the following "Encargos Sectoriais": RGR, CDE and CCC, and with the administrative management and operation of the associated sectoral funds;

> as from January 1, 2030, the allocation of the annual CDE charges will be proportionate to the power transported on the distribution and transmission grid of each operator in MWh. The geographical area and region served will no longer be taken into consideration;

> between January 1, 2017 and December 31, 2029, procedures will be established for the gradual and uniform reduction and final elimination of the existing allocation criteria;

> ad hoc remuneration for investments in modernizing the distribution network;

- greater flexibility for quality and grid loss targets for power distribution concession holders in the case of severe socio-economic conditions, extreme environmental events or challenging operating conditions due to mass theft of electricity.

Renegotiation of Ampla concession

On August 10, 2016, Ampla, in the wake of the impact of the economic crisis in Brazil on electricity consumption, especially in the state of Rio de Janeiro, petitioned ANEEL to modify a number of terms of its concession contract with a view to bringing forward the rate revision to March 2018 rather than 2019, and to ease the grid loss reduction and service quality improvement obligations. ANEEL called a public hearing for the end of October. Interested parties may submit comments in the 30 days following the hearing and at the end of 2016 a new concession agreement contract should be signed. The amendments would only regard certain financial terms of the agreement, not the expiry date of the concession.

Renewables

In June, the President approved Law 13.299, which among other measures extends the subsidy for transmission rates to mini-hydro plants. The rate, which previously only applied to plants with a capacity of less than 30 MW, will be extended to plants with a capacity of less than 50 MW, which will, however, only receive the beneficial rate for first 30 MW. The measure will take effect as from the publication of the second-level regulations.

With Resolution no. 79/2016, the regulator modified the accounting rules for the sale of electricity from wind plants on the free and regulated markets. The new rule will be applied retroactively as from October 2014 and will allow the correct reallocation of electricity between the two segments in line with existing contracts.

In June, the Ministry of Energy published Order no. 222 amending the process for obtaining the REIDI tax incentive (*Regime Especial de Incentivos para o Desenvolvimento da Infraestrutura*), which specifically targets infrastructure investment. The new process will enable plants that have won auctions to reduce the time necessary to obtain the tax benefit.

During the 3rd Quarter of 2016, the Government adopted regulatory measures to deal with the contractual excess of distributors caused by the fall in electricity demand. More specifically, the 2016 auction calendar was modified, eliminating the A-3 auction but retaining the two scheduled reserve auctions. In addition, the obligation for distributors to renew expired contracts was eliminated.

As regards the auction schedule, a first reserve auction was held in September for hydroelectric plants, while the second will be held in December with the participation of solar and wind plants. Under the terms of the auctions, the winners will have a guaranteed concession right.

In August, the Ministry of Energy published a resolution that amends the method for calculating available transmission capacity in auctions with guaranteed grid access. The new method was introduced in order to reduce the mismatch between available capacity as calculated ex ante and actual capacity, thereby reducing the risk of failed connection of plants.

Chile

Electricity distribution

Enel is promoting a demonstration project to install 50,000 smart meters in 2016, with the ultimate goal of replacing all existing meters (about 1.6 million) by 2020.
This investment will be recognized by Chile's regulator (CNE) if it recognizes the legitimacy of including the cost of the operation in the *Valor Agregado de Distribución*.
In this regard, on September 5, Chilectra presented the CNE with a study prepared by Systeple to define the cost components of the VAD with a view to setting the rates that will enter force on November 4, 2016.
At the same time, Chile's parliament approved the "*Ley de equidad tarifaria*", which modifies the rate structure in areas were generation plants are located in order to equalize these areas with the urban areas where greater economies of scale can be achieved.
The "*Ley de transmisión eléctrica*" achieved the objective of unifying the various electricity dispatching centers in the country, as well as eliminating the payment of transmission charges by generators and passing them on to society as a whole through rates.

Renewables

In August, the process of issuing the second-level regulations implementing the new Transmission Act officially began. According to the schedule set by the Government, the process will be completed in July 2017, with a preliminary consultation phase involving the main sector companies in preparation for the drafting of the definitive rules.

Peru

Electricity distribution

The recently installed Peruvian government approved rules giving free-market customers and distributors access to the spot market.
On July 24, the implementing regulations for Legislative Decree 1221 were approved, governing the following issues:

> ZRTs (technical responsibility zones): in the next six months, the Ministry of Energy will define the ZRTs, which will be open for comment by distribution companies;
> the VAD surcharge for investment, operations and maintenance for technological innovation in distribution grids, including digital meters, which will become property of the local distribution grid;
> definition of a rate adjustment factor on the basis of the SAIDI and SAIFi values set by Osinergmin, Peru's electricity regulator.

Colombia

Electricity distribution

On March 14, 2016 the Energy and Gas Regulatory Commission (CREG) defined a method for the remuneration of distribution activities. The regulator focuses on the definition of a new regulatory framework that would reduce the asset base, as recognized for rate purposes, by 20%.

Renewables

The Ministry of Energy published a resolution officially modifying the "2015-2029 Expansion Plan for Generation and Transmission" in order to comprise the expansion necessary to include wind generation in the La Guajira peninsula. The plan provides for the connection to enter service in November 2022.
In August, the Ministry of the Environment issued rules specifying the requirements and procedures for environmentally certifying renewables projects. The rules complete the second-level regulations implementing the Renewables Act (Law 1715) approved in May 2014 and activates the tax benefits introduced with that law.

Uruguay

Renewables

With Decree no. 78/2016, the regulator modified the formula for indexing the national component in long-term contracts. The change eliminates the limit of one year on retroactive recognition of the indexing adjustments.

United States

Renewables

On September 27, 2016, the District of Columbia Circuit Court (D.C. Circuit Court) heard arguments concerning the Clean Power Plan, the federal plan developed in 2015 that sought to reduce emissions by 32% by 2030, assigning specific targets to certain states. The court examined the arguments of the opponents, who asserted that the Environmental Protection Agency (EPA) only has the authority to require emissions reductions from individual plants rather than being able to assign states generic objectives for the transition from fossil fuels to renewables. The judges also asked why Congress would not have spelled that authority out explicitly in the Clean Air Act.

The D.C. Circuit Court is not expected to rule before the Presidential elections in November 2016 and in all likelihood will issue its decision after January 20, 2017. The timing of the decision is important because it will have an impact when appeals filed with the Supreme Court.

The states have a deadline of 2022 for beginning to reduce emissions, with a system of incentives taking effect as from 2020. The EPA has explicitly identified renewables as a compliant tool for states to reduce emissions.

Mexico

Renewables

The regulator modified the calculation of the gas component of electricity rates in order to reflect the increase in imports in recent months. The change anticipates the modification of the entire rate calculation method for customers in the regulated market, which should be completed by the end of 2016.

In May, the Ministry of Energy (SENER) published the calendar of the second long-term auction of the new Mexican electricity market. The process, which will be completed in September, will involve the award of 15/20-year contracts for the supply of electricity, capacity and non-fossil energy certificates, with supply to begin as from January 1, 2019.

As regard the long-term development of the sector, the electricity sector planning document for 2016-2030 (PRODESEN) was presented. The document sets out to identify the electricity generation, transmission and distribution projects necessary to meet demand over the period. According to ministry estimates, demand is expected to rise by between 3% and 4%, which will require about 57 GW of additional capacity. Over the course of the time horizon considered by the plan, a total of more than €100 billion will be invested in the electricity sector, of which 75% in generation and 25% in distribution and transmission.

Guatemala

Renewables

The regulator issued a new procedure for connecting plants to transmission lines. The procedure is intended to standardize connection procedures, specifying clear deadlines and administrative responsibilities for all market operators.

Panama

Renewables

With resolution 10.143, the regulator modified the criteria for exporting power for plants in the north of the country. The new rules eliminate the restriction on the timing of the signing of contracts, with a view to reducing the adverse impact of current grid restrictions.

Sistema de Interconexión Eléctrica de los Países de América Central (SIEPAC)

Renewables

The *Comisión Regional de Interconexión Eléctrica* (CRIE) approved a number of changes to the criteria and procedures for access to the regional transmission grid, strengthening the requirements for obtaining a connection. The change, which was prompted by the large number of renewables projects that have entered service in the countries hosting the *Sistema de Interconexión Eléctrica de los Países de América Central* (SIEPAC), seeks to ensure access to the grid for sound industry operators.

India

Renewables

On October 2, 2016, India ratified the climate agreements reached at the Paris summit in December 2015, committing the country to reducing its carbon emissions (INDC - Intended Nationally Determined Contribution) by 33-35% compared with 2005 levels by 2030 and to achieve 40% of installed electric generation capacity from non-fossil resources (currently equal to 30% including large-scale hydroelectric and nuclear power). This commitment by the Indian Government further strengthens efforts to achieve the ambitious target of 175 GW of renewables capacity by 2022 and should focus the policy agenda in this direction even further in order to attract investment in the sector.

South Africa

Renewables

The Minister of Energy announced that a revised Integrated Resource Plan (IRP) will be published and discussed in the coming months. The IRP is a long-term plan for the supply of electricity needed for the development of the country. It was first published in 2011 and covers the period up to 2030. In theory, the plan is to be updated every two years, so this revision has been expected for quite some time.

Outlook

The positive trends registered in the 1st Half of the year continued in the 3rd Quarter. Enel achieved important progress for each of the objectives of its 2016-2019 strategic plan, an updated version of which was presented in November 2015.

In the remainder of 2016, in line with the industrial targets set out in the plan, we expect:

> additional gains in the efficiency enhancement program in all global business lines;
> an increase in the contribution of investments to the gross operating margin, to be achieved in the 4th Quarter of the year, as well as the additional contribution from plants that entered service in the first nine months;
> the start of installation of new-generation smart meters in Italy, the implementation of the strategic plan of Enel OpEn Fiber and the completion of the merger with Metroweb;
> within the project for the simplification of the Group structure: the completion, by the 4th Quarter of the year, of the corporate reorganization in Latin America, which is intended to separate generation and distribution operations in Chile from those in the other Latin American countries.

As a result of the decrease in cash outflows associated with the corporate reorganization in Latin America, and the positive impact of exchange rate developments on the debt, the Group expects net financial debt at the end of the year to decrease by about €1 billion with respect to the 2016-2019 strategic plan's target for 2016.

In addition, in the light of the positive trends in operations, developments in the final quarter of the year are expected to enable us to achieve the new targets for 2016 announced in July for EBITDA, net income and FFO/net debt.

Condensed consolidated financial statements at September 30, 2016

Condensed consolidated income statement

Millions of euro	Notes	First nine months	
		2016	2015
Total revenue	5.a	51,459	55,998
Total costs	5.b	43,640	49,768
Net income/(expense) from commodity contracts measured at fair value	5.c	(130)	78
Operating income		**7,689**	**6,308**
Financial income		3,166	2,924
Financial expense		5,343	4,922
Total financial income/(expense)	5.d	**(2,177)**	**(1,998)**
Share of income/(expense) from equity investments accounted for using the equity method	5.e	**67**	**36**
Income before taxes		**5,579**	**4,346**
Income taxes	5.f	1,705	1,424
Net income from continuing operations		**3,874**	**2,922**
Net income from discontinued operations		**-**	**-**
Net income for the period (shareholders of the Parent Company and non-controlling interests)		**3,874**	**2,922**
Attributable to shareholders of the Parent Company		2,757	2,089
Attributable to non-controlling interests		1,117	833
Basic earnings/(loss) per share attributable to shareholders of the Parent Company (euro)		*0.28*	*0.22*
Diluted earnings/(loss) per share attributable to shareholders of the Parent Company (euro)		*0.28*	*0.22*
Basic earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)		*0.28*	*0.22*
Diluted earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)		*0.28*	*0.22*

Statement of consolidated comprehensive income

Millions of euro	First nine months	
	2016	2015
Net income	**3,874**	**2,922**
Other comprehensive income recyclable to profit or loss		
Effective portion of change in the fair value of cash flow hedges	(499)	409
Share of the other comprehensive income of equity investments accounted for using the equity method	(28)	9
Change in the fair value of financial assets available for sale	(4)	17
Exchange rate differences	1,079	(1,788)
Income/(Loss) recognized directly in equity	**548**	**(1,353)**
Total comprehensive income/(loss) for the period	**4,422**	**1,569**
Attributable to:		
- shareholders of the Parent Company	2,699	1,945
- non-controlling interests	1,723	(376)

Condensed consolidated balance sheet

Millions of euro

	Notes	**at Sept. 30, 2016**	at Dec. 31, 2015
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets		91,445	88,686
Goodwill		13,825	13,824
Equity investments accounted for using the equity method		1,026	607
Other non-current assets (1)		13,189	13,880
Total non-current assets	6.a	**119,485**	**116,997**
Current assets			
Inventories		2,772	2,904
Trade receivables		13,310	12,797
Cash and cash equivalents		6,391	10,639
Other current assets (2)		10,718	10,988
Total current assets	6.b	**33,191**	**37,328**
Assets held for sale	6.c	**170**	**6,854**
TOTAL ASSETS		**152,846**	**161,179**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to the shareholders of the Parent Company	6.d	35,112	32,376
Non-controlling interests		18,315	19,375
Total shareholders' equity		**53,427**	**51,751**
Non-current liabilities			
Long-term borrowings		40,716	44,872
Provisions and deferred tax liabilities		16,190	16,453
Other non-current liabilities		4,730	3,067
Total non-current liabilities	6.e	**61,636**	**64,392**
Current liabilities			
Short-term borrowings and current portion of long-term borrowings		8,189	7,888
Trade payables		11,427	11,775
Other current liabilities (3)		18,072	20,009
Total current liabilities	6.f	**37,688**	**39,672**
Liabilities held for sale	6.g	**95**	**5,364**
TOTAL LIABILITIES		**99,419**	**109,428**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**152,846**	**161,179**

(1) Of which long-term financial receivables and other securities at September 30, 2016 equal to €2,338 million (€2,173 million at December 31, 2015) and €492 million (€162 million at December 31, 2015), respectively.
(2) Of which short-term portion of long-term financial receivables, short-term financial receivables and other securities at September 30, 2016 equal to €765 million (€769 million at December 31, 2015), €2,170 million (€1,471 million at December 31, 2015) and €30 million (€1 million at December 31, 2015), respectively.
(3) Of which short term financial payables at September 30, 2016 equal to €101 million (€0 million at December 31, 2015).

Statement of changes in consolidated shareholders' equity

	Share capital and reserves attributable to the shareholders of the Parent Company														
Millions of euro	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve from translation of financial statements in currencies other than euro	Reserve from measurement of cash flow hedge financial instruments	Reserve from measurement of financial instruments AFS	Reserve from equity investments accounted for using the equity method	Reserve from remeasurement of net liabilities/(assets) of defined benefit plans	Reserve from disposal of equity interests without loss of control	Reserve from acquisitions of non-controlling interests	Retained earnings and loss carried forward	**Equity attributable to the shareholders of the Parent Company**	**Non-controlling interests**	**Total shareholders' equity**
At January 1, 2015	**9,403**	**5,292**	**1,881**	**2,262**	**(1,321)**	**(1,806)**	**105**	**(74)**	**(671)**	**(2,113)**	**(193)**	**18,741**	**31,506**	**19,639**	**51,145**
Dividends	-	-	-	-	-	-	-	-	-	-	-	(1,316)	**(1,316)**	**(453)**	**(1,769)**
Transactions in non-controlling interests	-	-	-	-	-	-	-	-	-	20	(3)	-	**17**	**302**	**319**
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**11**	**11**
Comprehensive income for the period	-	-	-	-	(667)	500	17	6	-	-	-	2,089	**1,945**	**(376)**	**1,569**
of which: *- other comprehensive income/(loss) for the period*	-	-	-	-	*(667)*	*500*	*17*	*6*	-	-	-	-	***(144)***	***(1,209)***	***(1,353)***
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	*2,089*	***2,089***	***833***	***2,922***
At September 30, 2015	**9,403**	**5,292**	**1,881**	**2,262**	**(1,988)**	**(1,306)**	**122**	**(68)**	**(671)**	**(2,093)**	**(196)**	**19,514**	**32,152**	**19,123**	**51,275**
At January 1, 2016	**9,403**	**5,292**	**1,881**	**2,262**	**(1,956)**	**(1,341)**	**130**	**(54)**	**(551)**	**(2,115)**	**(196)**	**19,621**	**32,376**	**19,375**	**51,751**
Dividends	-	-	-	-	-	-	-	-	-	-	-	(1,627)	**(1,627)**	**(602)**	**(2,229)**
Allocation of net result for previous year	-	-	153	-	-	-	-	-	-	-	-	(153)	**-**	**-**	**-**
Capital increase for non-proportional demerger of Enel Green Power	764	2,198	-	-	119	(31)	-	-	1	-	(974)	(12)	**2,065**	**(2,106)**	**(41)**
Transactions in non-controlling interests	-	-	-	-	-	-	-	-	-	7	-	(359)	**(352)**	**304**	**(48)**
Change in scope of consolidation	-	-	-	-	(136)	21		49	17	-	-	-	**(49)**	**(379)**	**(428)**
Comprehensive income for the period	-	-	-	-	510	(550)	(5)	(13)	-	-	-	2,757	**2,699**	**1,723**	**4,422**
of which: *- other comprehensive income/(loss) for the period*	-	-	-	-	*510*	*(550)*	*(5)*	*(13)*	-	-	-	-	***(58)***	***606***	***548***
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	*2,757*	***2,757***	***1,117***	***3,874***
At September 30, 2016	**10,167**	**7,490**	**2,034**	**2,262**	**(1,463)**	**(1,901)**	**125**	**(18)**	**(533)**	**(2,108)**	**(1,170)**	**20,227**	**35,112**	**18,315**	**53,427**

Condensed consolidated statement of cash flows

Millions of euro	First nine months	
	2016	2015
Income before taxes	**5,579**	**4,346**
Adjustments for:		
Depreciation, amortization and impairment losses of property, plant and equipment and intangible assets	3,762	5,317
Financial (income)/expense	1,768	1,737
Interest and other financial expense and income paid and collected	(2,082)	(2,263)
Exchange rate adjustments of foreign currency assets and liabilities (including cash and cash equivalents)	(1,021)	852
Change in net current assets:		
- inventories	196	(14)
- trade receivables	(715)	(1,154)
- trade payables	(463)	(2,818)
Other changes	(258)	(826)
Cash flows from operating activities (A)	**6,766**	**5,177**
Investments in property, plant and equipment and intangible assets	(5,504)	(5,081)
Investments in entities (or business units) less cash and cash equivalents acquired	(31)	(57)
Disposals of entities (or business units) less cash and cash equivalents sold	727	437
(Increase)/Decrease in other investing activities	40	48
Cash flows from (investing)/disinvesting activities (B)	**(4,768)**	**(4,653)**
Financial debt (new long-term borrowing)	1,737	844
Financial debt (repayments and other changes in net financial debt)	(5,609)	(4,183)
Transactions in non-controlling interest	(202)	355
Dividends and interim dividends paid	(2,442)	(2,192)
Cash flows from financing activities (C)	**(6,516)**	**(5,176)**
Impact of exchange rate fluctuations on cash and cash equivalents (D)	**151**	**(146)**
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	**(4,367)**	**(4,798)**
Cash and cash equivalents and short-term securities at the beginning of the period (1)	10,790	13,255
Cash and cash equivalents and short-term securities at the end of the period (2)	6,423	8,457

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

(2) Of which cash and cash equivalents equal to €6,391 million at September 30, 2016 (€8,309 million at September 30, 2015), short-term securities equal to €30 million at September 30, 2016 (€1 million at September 30, 2015) and cash and cash equivalents pertaining to “Assets held for sale” in the amount of €2 million at September 30, 2016 (€147 million at September 30, 2015).

Notes to the condensed consolidated financial statements at September 30, 2016

1. Accounting policies and measurement criteria

The accounting standards adopted, the recognition and measurement criteria and the consolidation criteria and methods used for the Interim Financial Report at September 30, 2016 (unaudited) are the same as those adopted for the consolidated financial statements at December 31, 2015 (please see the related report for more information).
In addition, since January 1, 2016 the following amendments of existing standards have entered force:

> "Amendments to IAS 1 - *Disclosure initiative*", issued in December 2014. The amendments, which form part of a broader initiative to improve presentation and disclosure requirements, include changes in the following areas:
  - materiality: the amendments clarify that the concept of materiality applies to all parts of the financial statements and that the inclusion of immaterial information could undermine the utility of financial disclosures;
  - disaggregation and subtotals: the amendments clarify that the line items in the income statement, the statement of comprehensive income and the balance sheet may be disaggregated. They also introduce new requirements concerning the use of subtotals;
  - the structure of the notes: the amendments clarify that entities have a certain degree of flexibility in the order in which the notes to the financial statements may be presented. They also emphasize that in establishing that order the entity must consider the requirements of understandability and comparability of the financial statements;
  - investments accounted for using the equity method: the entity's share of OCI of investments in equity-accounted associates and joint ventures must be split between the portion recyclable and that not recyclable to profit and loss; such portions must be presented as separate line items in the statement of comprehensive income depending whether they will subsequently be reclassified to profit or loss.

  The application of the amendments did not have an impact in this Interim Financial Report.

> "Amendments to IAS 19 - *Defined benefit plans: employees contributions*", issued in November 2013. The amendments are intended to clarify how to recognize contributions from employees within a defined benefit plan. More specifically, contributions linked to service should be recognized as a reduction in service cost:
  - over the periods in which employees render their services, if the amount of the contributions is dependent on the number of years of service; or
  - in the period in which the service is rendered, if the amount of the contributions is independent of the number of years of service.

  The application of the amendments did not have an impact in this Interim Financial Report.

> "Amendments to IAS 27 - *Equity method in separate financial statements*" issued in August 2014. The amendments permit the use of the equity method for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments also clarify a number of issues concerning investment entities. Specifically, when an entity ceases to be an investment entity, it must recognize investments in subsidiaries in accordance with IAS 27. Conversely, when an entity becomes and investment entity, it must recognize investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9.
  As the amendments regard the separate financial statements only, they did not have an impact in this Interim Financial Report.

> "Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception*", issued in December 2014. The amendments clarify that if a parent entity (or intermediate parent) prepares its financial statements in conformity with IFRS 10 (including the case of an investment entity that does not consolidate its investments in subsidiaries but rather measures them at fair value), the exemption from preparing consolidated

financial statements is available to the subsidiaries of an investment entity that in turn qualify as investment entities. In addition, the amendments also clarify that a parent entity that qualifies as an investment entity must consolidate a subsidiary that provides services related to the parent's investment activities if the subsidiary is not itself an investment entity. The amendments also simplify application of the equity method for an entity that is not an investment entity but holds an interest in an associate or joint venture that is an investment entity. In particular, when applying the equity method, the entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
The application of the amendments did not have an impact in this Interim Financial Report.

> "Amendments to IFRS 11 - *Accounting for acquisitions of interests in joint operations*", issued in May 2014. The amendments clarify the accounting treatment of the acquisition of an interests in a joint operation that is business, pursuant to IFRS 3, requiring the application of all the accounting rules for business combinations under IFRS 3 and other applicable IFRS with the exception of those standards that conflict with the guidance on IFRS 11. Under the amendments, a joint operator that acquires such interests must measure the identifiable assets and liabilities at fair value; expense acquisition-related costs (with the exception of debt or equity issuance costs); recognize deferred taxes; recognized any goodwill or bargain purchase gain; perform impairment tests for the cash generating units to which goodwill has been allocated; and disclose information required for relevant business combinations.
The application of the amendments did not have an impact in this Interim Financial Report.

> "Amendments to IAS 16 and IAS 38 - *Clarification of acceptable methods of depreciation and amortization*", issued in May 2014. The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The provisions of IAS 16 have been amended to clarify that a revenue-based depreciation method asset is not appropriate. The provisions of IAS 38 have been amended to introduce a presumption that a revenue-based amortization method is inappropriate. That presumption can be overcome when:
- the intangible asset is expressed as a measure of revenue;
- it can be demonstrated that revenue and the consumption of the economic benefit generated by an intangible asset are highly correlated.

The application of the amendments did not have an impact in this Interim Financial Report.

> "Amendments to IAS 16 and IAS 41 - *Bearer plants*", issued in June 2014. The amendments change the accounting treatment of biological assets that meet the definition of "bearer plants", such as fruit trees, that will fall within the scope of "IAS 16 - *Property, plant and equipment*". As a consequence, they will be subject to all of the provisions of that standard. Accordingly, for measurement subsequent to initial recognition, the entity may choose between the cost model and the revaluation model. The agricultural products produced by the bearer plants (e.g. fruit) will remain within the scope of "IAS 41 - *Agriculture*".
The application of the amendments did not have an impact in this Interim Financial Report.

> "Annual improvements to IFRSs 2010-2012 cycle", issued in December 2013; the document contains formal modifications and clarifications of existing standards that did not have an impact in this Interim Financial Report. More specifically, the following standards were amended:
- "IFRS 2 - *Share-based payment*"; the amendment separates the definitions of "performance conditions" and "service conditions" from the definition of "vesting conditions" in order to clarify the description of each condition;
- "IFRS 3 - *Business combinations*"; the amendment clarifies how to classify any contingent consideration agreed in a business combination. Specifically, the amendment establishes that if the contingent consideration meets the definition of financial instrument it shall be classified as a financial liability or equity. In the former case, the liability shall be measured at fair value and changes in fair value shall be recognized in profit or loss in accordance with IFRS 9. Contingent consideration that does not meet the definition of financial instrument shall be measured at fair value and changes in fair value shall be recognized in profit or loss;

- "IFRS 8 - *Operating segments*"; the amendments introduce new disclosure requirements in order to enable the users of financial statements to understand the judgments adopted by management's in aggregating operating segments and the reasons for such aggregation. The amendments also clarify that the reconciliation of total segment assets and total assets of the entity is required only if provided periodically by management;
- "IAS 16 - *Property, plant and equipment*"; the amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount of that asset shall be adjusted in a manner consistent with the revaluation of the carrying amount of the asset. In addition, it also clarifies that the accumulated depreciation at the revaluation date shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses;
- "IAS 24 - *Related party disclosures*"; the amendment clarifies that a management entity, i.e. an entity providing key management personnel services to an entity, is a related party of that entity. Accordingly, in addition to fees for services paid or payable to the management entity, the entity must report other transactions with the management entity, such as loans, within the disclosures required under IAS 24 for related parties. The amendment also clarifies that if an entity obtains key management personnel services from another entity, the entity is not required to disclose the compensation paid or payable by the management entity to those managers;
- "IAS 38 - *Intangible assets*"; the amendment clarifies that when an intangible asset is revalued, its gross carrying amount shall be adjusted in a manner consistent with the revaluation of the carrying amount of the asset. In addition, it also clarifies that the accumulated amortization at the revaluation date shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses.

"Annual improvements to IFRSs 2010-2012 cycle" amended the Basis for Conclusions of "IFRS 13 - *Fair value measurement*" to clarify that short-term receivables and payables with no stated interest rate to apply to the invoice amount can still be measured without discounting, if the impact of discounting would not be material.

> "Annual improvements to IFRSs 2012-2014 cycle", issued in September 2014; the document contains formal modifications and clarifications of existing standards that did not have an impact in this Interim Financial Report. More specifically, the following standards were amended:

- "IFRS 5 - *Non-current assets held for sale and discontinued operations*"; the amendments clarify that the reclassification of an asset (or disposal group) from held for sale to held for distribution should not be considered as a new plan of sale but rather the continuation of the original plan. Accordingly, the reclassification does not give rise to any interruption in the application of the provisions of IFRS 5 or any change in the date of classification;
- "IFRS 7 - *Financial instruments: disclosures*"; as regards disclosures to be provided on any continuing involvement in assets that have been transferred and derecognized in their entirety, the amendments clarify that for disclosure purposes, a servicing contract that provides for the payment of a fee can represent a continuing involvement in the transferred asset. The entity must assess the nature of the fee and the servicing contract to determine when disclosure is required. The amendments also clarify that disclosures concerning the offsetting of financial assets and liabilities are not required in condensed interim financial statements;
- "IAS 19 - *Employee benefits*"; IAS 19 requires that the discount rate used to discount post-employment benefit obligations shall be determined by reference to market yields on high quality corporate bonds or government bonds where there is not deep market in such high quality corporate bonds. The amendment to IAS 19 clarifies that the depth of the market in high quality corporate bonds must be assessed on the basis of the currency in which the bond is denominated and not the currency of the country in which the bond is issued. If there is no deep market in high quality corporate bonds in that currency, the corresponding market yield on government bonds shall be used;
- "IAS 34 - *Interim financial reporting*"; the amendment establishes that the required disclosures for interim financial reports shall be provided in the interim financial statements or cross-referenced in the interim financial statements

by way of a reference to another statement (e.g. a management risk report) that is available on the same terms and at the same time to users of the interim financial statements.

Seasonality

The turnover and performance of the Group could be impacted, albeit slightly, by developments in weather conditions. More specifically, in warmer periods of the year, gas sales decline, while during periods in which factories are closed for holidays, electricity sales decline. Similarly, hydroelectric generation performance is particularly high during the winter and early spring given the more favorable seasonable water conditions. In view of the slight financial impact of these variations, further mitigated by the fact that the Group's operations are spread across both hemispheres and, therefore, the impact of weather-related factors tends to be uniform throughout the year, no additional disclosure (required under IAS 34.21) for developments in the 12 months ended September 30, 2016 is provided.

2. Restatement of comparative disclosures

As from the close of the period at September 30, 2016, the new organizational model of the Enel Group can be considered fully operational. The adoption of the model was first announced in the 2nd Quarter of 2016, at the time of the presentation of the new organizational structure.

The new organization, based on a matrix that comprises Divisions (Global Thermal Generation, Global Infrastructure and Networks, Renewable Energy and Global Trading) and Regions and Countries (Italy, Iberia, Europe and North Africa, Latin America, North and Central America, Sub-Saharan Africa and Asia), will, from this year, also represent the basis of planning, reporting and assessment of the financial performance of the Group, both internally by top management and in relations with the financial community.

In view of these developments, it has also become necessary to review disclosures under "IFRS 8 - *Operating segments*", as reported in note 4 below, which have also been supplemented with restated comparative figures to ensure full comparability.

3. Main changes in the scope of consolidation

At September 30, 2016, the scope of consolidation had changed with respect to that at September 30, 2015, and December 31, 2015, as a result of the following main transactions:

2015

> Disposal, on January 29, 2015, of SF Energy, a joint operation active in hydroelectric generation in Italy;

> acquisition, on March 6, 2015, of the share not previously held by the Group, amounting to 66.7%, of 3Sun, a photovoltaic firm. Through this acquisition, the Group obtained control of the company, which is now consolidated on a line-by-line basis;

> disposal, on April 15, 2015, of SE Hydropower, a joint operation active in hydroelectric generation in Italy;

> acquisition, on September 24, 2015, acting through the subsidiary Enel Green Power, of a controlling interest of 68% in BLP Energy ("BLP"), a company operating in the renewables sector in India;

> acquisition, in September 2015, of the remaining 60% of the ENEOP Group, identified in a split agreement with the other participants in the venture, with the acquisition being settled with the concomitant transfer of the 40% that Enel Green Power held in the other two portfolios transferred to the other partners in the consortium;

> disposal, on November 26, 2015, of the ENEOP Group and other Portuguese companies in which Enel Green Power held an interest;

> full consolidation, following changes in shareholders' agreements, in December 2015, of Osage Wind, a company 50% held by Enel Green Power North America, previously accounted for using the equity method';
> acquisition of a controlling interest of 78.6% in Erdwärme Oberland, a company specialized in the development of geothermal projects in Germany;
> contribution, on December 31, 2015, of the former wholly-owned subsidiaries Altomonte, Enel Green Power San Gillio and Enel Green Power Strambino Solar to an equally held joint venture (Ultor) with the fund F2i accounted for using the equity method.

2016

> Disposal, completed in early March 2016, of Compostilla RE, which at December 31, 2015 had been classified as "held for sale";
> disposal, on May 1, 2016, of 65% of Drift Sand Wind Project, a company operating in the wind generation sector in the United States. As from that date, the company is accounted for using the equity method;
> disposal, completed on July 13, 2016, of Enel Longanesi, a company operating in the upstream gas sector in Italy;
> disposal, on July 28, 2016, of 50% of Slovak Power Holding, which in turn holds 66% of Slovenské elektrárne. As from that date, Slovenské elektrárne, which at December 2015 was already classified as "held for sale", has been accounted for using the equity method.

Other changes

In addition to the above changes in the scope of consolidation, the period also saw the following transactions, which although they do not represent transactions involving the acquisition or loss of control gave rise to a change in the interest held by the Group in the investees:

> disposal, on March 31, 2015, of 49% di EGPNA Renewable Energy Partners, an electricity generation company in the United States. Since the Group has maintained control of the company, the transaction is one involving a non-controlling interest;
> acquisition, on April 8, 2015, of the remaining 49% of Energia Eolica, a wind generation company operating in Italy in which the Group already held an interest of 51%;
> disposal, on February 29, 2016, of the remaining interest in Hydro Dolomiti Enel, a company operating in the hydroelectric generation sector in Italy;
> on March 31, 2016, the non-proportional demerger of Enel Green Power took effect, following which – with a capital increase by Enel SpA as part of the demerger – the Group increased its stake in the company from 68.29% to 100%, with the consequent reduction of non-controlling interests;
> acquisition, on May 3, 2016, of the remaining 40% di Maicor Wind, a company operating in the wind generation sector in Italy, becoming the sole shareholder.
> on July 27, 2016, Enel Green Power International ("EGPI"), a wholly-owned subsidiary of Enel, and Endesa Generación, a wholly-owned subsidiary of Endesa, executed and implemented an agreement for the disposal by EGPI of 60% of Enel Green Power España ("EGPE") to Endesa Generación, which as it already holds the other 40% of EGPE became its sole shareholder. In the consolidated financial statements, the transaction produced an increase in non-controlling interests since the share pertaining to the Group held indirectly in EGPE falls from 88.04% to 70.10%.

4. Segment information

The representation of performance and financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods being compared. For more information on the developments in performance and financial position that characterized the current period, please see the appropriate section of this Interim Financial Report.

Performance by business area

First nine months of 2016 [1]

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	25,841	14,002	7,906	2,929	671	18	92	51,459
Revenue from transactions with other segments	494	46	17	146	1	-	(704)	-
Total revenue	**26,335**	**14,048**	**7,923**	**3,075**	**672**	**18**	**(612)**	**51,459**
Total costs	20,745	11,100	5,315	2,453	201	11	(506)	39,319
Net income/(expense) from commodity contracts measured at fair value	(145)	22	4	(13)	(1)	-	3	(130)
Depreciation and amortization	1,271	1,240	692	198	190	6	38	3,635
Impairment losses	350	276	82	98	21	6	43	876
Reversals of impairment	-	(176)	(1)	(13)	-	-	-	(190)
Operating income	**3,824**	**1,630**	**1,839**	**326**	**259**	**(5)**	**(184)**	**7,689**
Capital expenditure	**1,170**	**646**	**1,994**	**144** [2]	**989**	**253**	**20** [3]	**5,216**

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €283 million regarding units classified as "held for sale".
(3) Does not include €5 million regarding units classified as "held for sale".

First nine months of 2015 restated [1]

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	28,446	15,369	8,115	3,423	631	2	12	55,998
Revenue from transactions with other segments	759	105	10	235	2	1	(1,112)	-
Total revenue	**29,205**	**15,474**	**8,125**	**3,658**	**633**	**3**	**(1,100)**	**55,998**
Total costs	24,049	12,480	5,733	2,414	197	10	(968)	43,915
Net income/(expense) from commodity contracts measured at fair value	110	(16)	(4)	(14)	(1)	-	3	78
Depreciation and amortization	1,275	1,236	705	265	143	1	24	3,649
Impairment losses	349	261	59	1,658	34	-	-	2,361
Reversals of impairment	-	(149)	(1)	(6)	-	-	(1)	(157)
Operating income	**3,642**	**1,630**	**1,625**	**(687)**	**258**	**(8)**	**(152)**	**6,308**
Capital expenditure	**1,135** [2]	**585**	**2,112**	**145** [3]	**479**	**200**	**24**	**4,680**

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

(3) Does not include €400 million regarding units classified as "held for sale".

Financial position by business area

At September 30, 2016

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Property, plant and equipment	25,956	24,218	15,863	3,014	5,866	690	67	75,674
Intangible assets	1,156	15,642	10,996	992	619	109	8	29,522
Trade receivables	9,315	2,142	1,877	301	97	10	(416)	13,326
Other	4,174	1,322	544	258	88	5	(329)	6,062
Operating assets	**40,601**	**43,324** (1)	**29,280**	**4,565** (3)	**6,670** (5)	**814**	**(670)** (6)	**124,584**
Trade payables	7,312	1,831	1,925	316	493	20	(462)	11,435
Sundry provisions	3,491	3,720	933	117	33	15	663	8,972
Other	7,661	2,236	1,437	319	76	40	284	12,053
Operating liabilities	**18,464**	**7,787** (2)	**4,295**	**752** (4)	**602**	**75**	**485**	**32,460**

(1) Of which €19 million regarding units classified as "held for sale".
(2) Of which €4 million regarding units classified as "held for sale".
(3) Of which €64 million regarding units classified as "held for sale".
(4) Of which €13 million regarding units classified as "held for sale".
(5) Of which €6 million regarding units classified as "held for sale".
(6) Of which €10 million regarding units classified as "held for sale".

At December 31, 2015 restated

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Property, plant and equipment	25,998	24,640	14,115	6,658	5,174	394	72	77,051
Intangible assets	1,161	15,701	10,376	997	673	107	51	29,066
Trade receivables	8,862	2,260	1,815	410	110	6	(607)	12,856
Other	3,709	1,470	485	636	107	4	(334)	6,077
Operating assets	**39,730**	**44,071**	**26,791**	**8,701** (1)	**6,064**	**511**	**(818)**	**125,050**
Trade payables	6,982	2,156	2,349	809	395	80	(718)	12,053
Sundry provisions	3,626	3,828	834	2,062	34	14	661	11,059
Other	7,035	2,852	1,190	627	128	33	16	11,881
Operating liabilities	**17,643**	**8,836**	**4,373**	**3,498** (2)	**557**	**127**	**(41)**	**34,993**

(1) Of which €4,321 million regarding units classified as "held for sale".
(2) Of which €2,331 million regarding units classified as "held for sale".

The following table reconciles segment assets and liabilities and the consolidated figures.

Millions of euro

	at Sept. 30, 2016	at Dec. 31, 2015
Total assets	**152,846**	**161,179**
Equity investments accounted for using the equity method	1,026	607
Other non-current financial assets	5,534	5,617
Long-term tax receivables included in “Other non-current assets”	504	463
Current financial assets	6,154	7,454
Cash and cash equivalents	6,391	10,639
Deferred tax assets	6,617	7,386
Tax receivables	1,964	1,342
Financial and tax assets of “Assets held for sale”	72	2,621
Segment assets	**124,584**	**125,050**
Total liabilities	**99,419**	**109,428**
Long-term borrowings	40,716	44,872
Non-current financial liabilities	3,092	1,518
Short-term borrowings	3,476	2,155
Current portion of long-term borrowings	4,713	5,733
Current financial liabilities	3,914	6,572
Deferred tax liabilities	8,747	8,977
Income tax payable	1,161	585
Other tax payables	1,062	990
Financial and tax liabilities of “Liabilities held for sale”	78	3,033
Segment liabilities	**32,460**	**34,993**

Revenue

5.a Revenue - *€51,459 million*

Millions of euro	First nine months			
	2016	2015	Change	
Revenue from the sale of electricity	31,342	34,979	(3,637)	-10.4%
Revenue from the transport of electricity	7,164	6,993	171	2.4%
Fees from network operators	370	597	(227)	-38.0%
Transfers from institutional market operators	1,074	935	139	14.9%
Revenue from the sale of gas	2,751	2,875	(124)	-4.3%
Revenue from the transport of gas	390	358	32	8.9%
Gains on disposal of subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	348	184	164	89.1%
Remeasurement at fair value after changes in control	4	74	(70)	-94.6%
Other services, sales and revenue	8,016	9,003	(987)	-11.0%
Total	**51,459**	**55,998**	**(4,539)**	**-8.1%**

In the first nine months of 2016 **revenue from the sale of electricity** amounted to €31,342 million, a decrease of €3,637 million compared with the same period of the previous year (-10.4%).The total included revenue from electricity sales to end users in the amount of €21,615 million (€22,692 million in the first nine months of 2015), revenue from wholesale electricity sales (not including fees from network operators) in the amount of €8,200 million (€9,836 million in the first nine months of 2015) and revenue from electricity trading in the amount of €1,527 million (€2,451 million in the first nine months of 2015).
The decrease in revenue from wholesale electricity sales and from electricity trading was mainly attributable to the decline in average sales prices and in volumes handled, accompanied by the decrease in revenue due to the deconsolidation of Slovenské elektrárne at the end of July 2016. The fall in revenue from electricity sales to end users was concentrated in Spain and Italy, due to a decline in average sales prices. Finally, the depreciation of local currencies against the euro caused an especially marked decrease in revenue in the Latin American countries.

Revenue from the transport of electricity amounted to €7,164 million in the first nine months of 2016, an increase of €171 million compared with the same period of the previous year. The total included revenue from electricity transported to end users in the regulated market in the amount of €2,317 million (€2,426 million in the same period of 2015) and in the free market in the amount of €1,418 million (€1,187 million in the same period of 2015), as well as revenue from the transport of electricity to other operators in the amount of €3,429 million (€3,380 million in the same period of 2015). That increase was mainly registered in Italy, where the rise in amounts transported to the free market more than offset the impact of the reduction in volumes on the regulated market and in distribution rates.

Revenue from **transfers from institutional market operators** amounted to €1,074 million in the first nine months of 2016, up €139 million on the same period of the previous year. The increase in transfers mainly reflects a rise in incentives received in the form of “feed-in premiums” (formerly green certificates) for the generation of power from renewable resources in Italy. This factor was partly offset by a decline in compensation received from the Spanish electrical system for generation in island areas as a result of a decrease in the cost of provisioning fuels.

Revenue from the sale of gas in the first nine months of 2016 amounted to €2,751 million, a decrease of €124 million (-4.3%) compared with the same period of the previous year. The decline mainly reflects the fall in average sales prices charged to end users in the free market in Spain.

Revenue from the transport of gas amounted to €390 million in the first nine months of 2016, an increase of €32 million (+8.9%), largely due to an increase in volumes wheeled in Italy.

Gains on the disposal of entities in the first nine months of 2016 amounted to €348 million (€184 million in the first nine months of 2015). They largely consisted of the gains on the disposal of GNL Quintero (€171 million), Hydro Dolomiti Enel (€124 million) and Compostilla RE (€19 million), as well as the positive price adjustment of €30 million for the sale of ENEOP (in 2015). In the first nine months of 2015, the item mainly reported the gains on the sales of SE Hydropower (€141 million) and SF Energy (€15 million).

Gains from **remeasurement at fair value after changes in control** in the first nine months of 2016 amounted to €4 million (€74 million in the first nine months of 2015). The gains for 2016 regard the adjustment to fair value of the assets and liabilities of the Group following the loss of control with the disposal on May 1, 2016, of 65% of Drift Sand Wind Project. The gains registered in the first nine months of 2015 regarded the adjustment to fair value of the assets and liabilities pertaining to the Group already held by Enel prior to the acquisition of full control of 3Sun (€45 million) and ENEOP (€29 million).

Revenue under **other services, sales and revenue** amounted to €8,016 million in the first nine months of 2016 (€9,003 million in the corresponding period of the previous year), a decrease of €987 million (-11.0%). The decline is mainly due to:

- a decrease of €671 million in revenue from sales and grants received in respect of environmental certificates, mainly attributable to the decline in trading activities and the impact of the recognition in the first nine months of 2015 of revenue from the sale and measurement at fair value of environmental certificates (€173 million) under Regulation (EU) no. 389/2013;
- a decrease of €236 million in revenue associated with the impact of revenue recognized in 2015 following regulatory changes in Argentina introduced with *Resolución* no. 32/2015;
- the effect of the recognition in the first nine months of 2015 of negative goodwill from the acquisition of 3Sun in the amount of €87 million;
- revenue recognized in the first nine months of 2016 concerning the price adjustments in the acquisitions of Parque Talinay Oriente and Stipa Nayaá totaling €38 million.

Costs

5.b Costs - *€43,640 million*

Millions of euro	First nine months			
	2016	2015	Change	
Electricity purchases	13,508	16,505	(2,997)	-18.2%
Consumption of fuel for electricity generation	3,279	4,339	(1,060)	-24.4%
Fuel for trading and gas for sale to end users	6,536	7,345	(809)	-11.0%
Materials	789	864	(75)	-8.7%
Personnel	3,321	3,464	(143)	-4.1%
Services, leases and rentals	11,128	11,025	103	0.9%
Depreciation, amortization and impairment losses	4,321	5,853	(1,532)	-26.2%
Costs of environmental certificates	612	535	77	14.4%
Other operating expenses	1,246	830	416	50.1%
Capitalized costs	(1,100)	(992)	(108)	-10.9%
Total	**43,640**	**49,768**	**(6,128)**	**-12.3%**

Costs for **electricity purchases** in the first nine months of 2016 amounted to €13,508 million, a decrease of €2,997 million on the same period of 2015 (-18.2%). These included costs for purchases through bilateral contracts on national and international markets amounting to €10,433 million (€12,772 million in the first nine months of 2015), purchases on electricity exchanges amounting to €2,985 million (€3,611 million in the first nine months of 2015) and purchases made as part of dispatching and balancing services amounting to €90 million (€122 million in the first nine months of 2015).

Costs for the **consumption of fuel for electricity generation** amounted to €3,279 million in the first nine months of 2016, down €1,060 million (-24.4%) on the same period of the previous year, reflecting the decline in requirements.

Costs for the purchase of **fuel for trading and gas for sale to end users** amounted to €6,536 million in the first nine months of 2016, a decrease of €809 million, essentially reflecting the fall in average market prices and the benefits generated by the agreements reached under the price review process for a number of gas supply contracts.

Costs for **materials** in the first nine months of 2016 amounted to €789 million, a decrease of €75 million compared with the same period of the previous year. The fall in the first nine months is mainly due to the decline in the trading of EUAs and CERs compared with the same period of 2015 and the termination of transactions in green certificates as a result of the replacement in Italy of the green-certificate system with a feed-in premium for renewables generation.

Personnel costs in the first nine months of 2016 amounted to €3,321 million, a decrease of €143 million (-4.1%) compared with the same period of the previous year. The change essentially reflected the reduction in the average workforce in Italy and Spain, partly attributable to the early retirement incentive mechanisms introduced in previous years and still being implemented, as well as the deconsolidation of Slovenské elektrárne. The Enel Group workforce at September 30, 2016 numbered 62,472, of whom 30,259 employed outside of Italy. The workforce decreased by 5,442 in the first nine months of 2016, reflecting the balance between new hires and terminations (-1,036) and the change in the scope of consolidation (-4,406), essentially reflecting the deconsolidation of the Slovakian companies.
The overall change compared with December 31, 2015, breaks down as follows:

Balance at December 31, 2015	**67,914**
Hirings	2,699
Terminations	(3,735)
Change in scope of consolidation	(4,406)
Balance at September 30, 2016	**62,472**

Costs for **services, leases and rentals** in the first nine months of 2016 amounted to €11,128 million, an increase of €103 million on the same period of 2015. The rise was mainly associated with the rise of €283 million in costs for wheeling services, especially in Italy, partly offset by exchange rate effects, especially in Latin America, which reduced the associated costs.

Depreciation, amortization and impairment losses in the first nine months of 2016 amounted to €4,321 million, a decrease of €1,532 million. The decrease in the first nine months of 2016 essentially reflected changes in impairment, specifically:

> impairment losses of €919 million recognized in the first nine months of 2015 on Russian generation assets given the adverse market and regulatory conditions in that country;
> the writedown recognized in the first nine months of 2015 in the value (to estimated realizable value net of transaction costs, as established by IFRS 5) of €531 million in relation to the assets of Slovenské elektrárne;
> impairment losses of €155 million recognized in the first nine months of 2015 on the residual goodwill and property, plant and equipment of Enel Green Power Romania as a result of the unfavorable market and regulatory conditions in that country's renewable energy sector;
> impairment losses of €91 million recognized in the first nine months of 2016 to adjust the assets of Marcinelle Energie (€52 million) and the upstream gas operations of Enel Trade and Enel Longanesi (€39 million) to their estimated realizable value.

Costs of environmental certificates amounted to €612 million in the first nine months of 2016, up €77 million on the same period of 2015. The increase is essentially attributable to:

> an increase in the charge for emissions allowances (+€86 million), mainly in Italy, connected with an increase in the unit cost of allowances (EUAs and CERs), partly offset by a reduction in emissions;
> an increase in charges for white certificates (+€104 million), mainly in Italy, due to the rise in volumes purchased compared with the year-earlier period;
> a reduction in costs for green certificates (-€113 million), following the elimination in Italy of the green-certificate obligation for thermal generation as from 2016.

Other operating expenses in the first nine months of 2016 amounted to €1,246 million, an increase of €416 million on the same period of 2015. The increase is essentially attributable to:

> the impact of the reversal of the nuclear waste disposal provision in Slovakia in the amount of €550 million in the 3rd Quarter of 2015 following an analysis by independent experts, who took account of the regulatory changes introduced in July 2015 by the Slovakian government, which approved a new strategy for handling the "back end" of spent nuclear fuel;
> the loss of €181 million posted in the 3rd Quarter of 2016 in Latin America following the renunciation of water use rights for six development projects in Chile and Peru after an analysis of their profitability and socio-economic impact;
> a reduction of €211 million in taxes and duties, largely attributable to a reduction of €92 million in taxes on generation in Spain under Law no. 15/2012 as a result of the decline in amounts generated, the elimination of the tax on nuclear generation in the Spanish region of Catalonia due a ruling of unconstitutionality, with a benefit of €78 million, and a reduction in local property taxes in Italy, partly reflecting a number of changes in the taxation of industrial plant;

- a reduction of €56 million in costs due to the combined effect of the provision recognized in the first nine months of 2015 and its subsequent reversal in the first nine months of 2016 (€28 million) in respect of obligations for the construction and development of the Girabolhos hydroelectric plant in Portugal;
- a reduction of €57 million in costs for reimbursements to customers for extended interruptions of service in Italy, which in 2015 had reflected the impact of particularly severe weather events.

In the first nine months of 2016 **capitalized costs** amounted to €1,100 million, an increase of €108 million on the same period of the previous year.

5.c Net income/(expense) from commodity contracts measured at fair value - *€(130) million*

Net income/(expense) from commodity contracts measured at fair value showed net expense of €130 million in the first nine months of 2016 (net income of €78 million in the same period of the previous year). More specifically, the net expense for the first nine months of 2016 was essentially attributable to net realized income in the period totaling €44 million (€72 million in net realized income in the first nine months of 2015) and net unrealized expense from the fair value measurement of derivatives positions open at the end of the period in the amount of €174 million (€6 million in net unrealized income in the first nine months of 2015).

5.d Net financial expense - *€2,177 million*

Net financial expense increased by €179 million in the first nine months of 2016 on the same period of 2015.

More specifically, financial income in the first nine months of 2016 amounted to €3,166 million, up €242 million on the same period of 2015 (€2,924 million). The change largely reflects the combined effect of the following factors:

- an increase in exchange rate gains in the amount of €1,062 million;
- an increase in interest and other income on financial receivables in the amount of €19 million, essentially related to medium/long-term financial receivables;
- a decrease of €749 million in income from derivatives, mainly used to hedge exchange rate risk on borrowings denominated in currencies other than the euro;
- a decrease of €107 million in other income, largely the result of the recognition in the first nine months of 2015 of income connected with regulatory items involving electricity distribution operations in Argentina following the amendments introduced with Resolutions nos. 476/2015 and 1208/2015 to the CAMMESA remuneration mechanism (€78 million), as well as interest recognized in the first nine months of 2015 on the reimbursement of the environmental tax in the region of Estremadura in Spain (€10 million).

Financial expense in the first nine months of 2016 totaled €5,343 million, an increase of €421 million on the first nine months of 2015, reflecting:

- an increase of €1,180 million in expense on derivatives, essentially related to the hedging of exchange rate risk on borrowings;
- an increase of €112 million in charges for the accretion of provisions for risks and charges, mainly in respect of the early retirement incentive provision (+€72 million) and other provisions for risks and charges (+€68 million), essentially reflecting the effects of ENRE *Resolución* no. 1/2016, which involved the discounting of a number of prior-period fines in litigation in Argentina;
- a decrease of €811 million in exchange rate losses;
- a decrease of €116 million in interest expense and charges on financial debt, mainly as a result of the contraction in average financial debt. The change is mainly due to the reduction of €132 million in interest on bonds (essentially connected with the decrease in the bonds associated with transactions carried out by the Parent Company and Enel

Finance International), which was only partly offset by a minimal rise in interest expense on medium/long-term bank borrowings;
> a reduction of €21 million in charges for the unwinding of the discount on employee benefits.

5.e Share of income/(expense) from equity investments accounted for using the equity method - *€67 million*

The **share of income/(expense) from equity investments accounted for using the equity method** showed net income of €67 million in the first nine months of 2016.

5.f Income taxes - *€1,705 million*

Income taxes in the first nine months of 2016 amounted to €1,705 million, equal to 30.6% of taxable income (compared with 32.8% in the first nine months of 2015). The decrease in the effective tax rate in the first nine months of 2016 on the corresponding period of the previous year essentially reflects the reduction of the tax rate in Spain from 28% to 25%, partly offset by changes between the two periods in the weight of a number of income components generated by non-recurring transactions that are essentially tax exempt (participation exemption).

Assets

6.a Non-current assets - *€119,485 million*

Property, plant and equipment and intangible assets (including investment property) amounted to €91,445 million September 30, 2016, an increase of €2,759 million. The change is mainly accounted for by investments during the period (€5,216 million), the effect of the translation of financial statements denominated in currencies other than the euro (a positive €1,334 million, essentially accounted for by Brazil, Colombia, Chile and Russia), and the capitalization of interest on construction under way (€131 million). These factors were only partly offset by depreciation, amortization and impairment losses on those assets (totaling €3,652 million) and disposals during the period (€254 million).

Goodwill, amounting to €13,825 million, increased by €1 million compared with December 31, 2015. This increase reflects the recognition of goodwill (recorded provisionally pending completion of the purchase price allocation process under IFRS 3) following the acquisition of Energía Limpia de Amistad, a Mexican wind generation company, the effect of which was only partly offset by exchange rate changes.
The CGUs to which goodwill has been allocated are tested for impairment annually or when circumstances indicate that the carrying amount might not be recoverable. The test was conducted at December 31, 2015 on the basis of the cash flows set out in the 2016-2019 business plan prepared by management, which are discounted using specific discount rates. The key assumptions used in determining the value in use of the individual CGUs and the sensitivity analyses are reported in the consolidated financial statements at December 31, 2015.

Equity investments accounted for using the equity method amounted to €1,026 million, an increase of €419 million on the end of 2015.
In addition to reflecting the net income pertaining to the Group of the companies accounted for using the equity method, changes for the period were highly impacted by “changes in the scope of consolidation” connected in large part with the disposal of 50% of the indirect stake in Slovenské elektrárne on July 28, 2016, following which the company has been accounted for using the equity method.

Other developments include the disposal of the stake held in GNL Quintero, a Chilean company active in the regasification of natural gas.

Other non-current assets totaled €13,189 million at September 30, 2016 and include:

Millions of euro

	at Sept. 30, 2016	at Dec. 31, 2015	Change	
Deferred tax assets	6,617	7,386	(769)	-10.4%
Receivables and securities included in net financial debt	2,830	2,335	495	21.2%
Other non-current financial assets	2,704	3,282	(578)	-17.6%
Receivables due from institutional market operators	237	67	170	-
Other long-term receivables	801	810	(9)	-1.1%
Total	**13,189**	**13,880**	**(691)**	**-5.0%**

The decrease of €691 million in the period is largely due to:

- a decrease €769 million in deferred tax assets, essentially reflecting the deconsolidation of Slovenské elektrárne, as well as exchange rate effects;
- a decrease of €578 million of other non-current financial assets, essentially connected with the decline in the fair value of derivatives (€773 million, mainly to hedge the exchange rate and interest rate risk in cash flow hedges), and other equity investments (€25 million, including the equity investment measured at fair value in Bayan Resources, among others). These effects were only partly offset by the increase in financial assets related to services under concession arrangements connected with investments in the distribution grid under a concession arrangement in Brazil (+€233 million);
- an increase of €495 million in receivables and securities included in net financial debt, due mainly to the increase in securities available for sale (bonds) in which the Dutch insurance companies invested part of their liquidity (€330 million), the increase in long-term financial receivables connected with the disposal of equity investments (€243 million), and the decline in financial receivables due from the Energy & Environmental Services Fund (CSEA - formerly the Electricity Equalization Fund) due to the reclassification to short term of part of the receivable for the recapitalization of the Electrical Worker Pension Fund and the reimbursement of extraordinary charges incurred for the replacement of meters (€65 million);
- an increase of €170 million in non-current receivables due from institutional market operators, mainly associated with the increase of €147 million in receivables from the CSEA, which largely reflects the recognition of energy efficiency certificates and projects in the first nine months of 2016.

6.b Current assets - *€33,191 million*

Inventories totaled €2,772 million, down €132 million, mainly associated with the decrease in CO_2 emission allowances, green certificates and inventories of gas and other fuels.

Trade receivables amounted to €13,310 million, up €513 million, essentially the result of an increase in receivables for the sale and transport of electricity, partly reflecting the billing schedule.

Other current assets, which totaled €10,718 million, break down as follows:

Millions of euro

	at Sept. 30, 2016	at Dec. 31, 2015	Change	
Current financial assets included in debt	2,965	2,241	724	32.3%
Other current financial assets	3,189	5,213	(2,024)	-38.8%
Tax receivables	1,964	1,342	622	46.3%
Receivables due from institutional market operators	855	765	90	11.8%
Other short-term receivables	1,745	1,427	318	22.3%
Total	**10,718**	**10,988**	**(270)**	**-2.5%**

The decrease of €270 million in the period is largely due to:

> a decrease of €2,024 million of other current financial assets, connected with the fall in the fair value of derivatives (€1,978 million, mainly related to derivatives measured at fair value through profit or loss hedging the price risk of energy commodities) and in accrued financial income and prepaid financial expense (€46 million);

> an increase of €724 million in current financial assets included in debt, mainly associated with the rise in cash collateral paid (€868 million), partly offset by a decline in receivables due from factoring or financial companies for the assignment of receivables (€119 million);

> an increase of €622 million in tax receivables, essentially due to the increase in income tax receivables as a result of the first payment on account of IRES and IRAP for 2016 for the Italian companies, net of the settlement of taxes for 2015;

> an increase of €318 million in other short-term receivables, mainly associated with receivables in respect of arbitration proceedings involving natural gas supply contracts in Algeria and Nigeria.

6.c Assets held for sale - *€170 million*

The item mainly includes assets valued at their estimated realizable value that, in view of the decisions taken by management, meet the requirements of IFRS 5 for classification under this item. The decrease for the period, equal to €6,684 million, reflects the disposals of Slovenské elektrárne (-€6,798 million), Hydro Dolomiti Enel (-€189 million) and Compostilla RE (-€111 million), which led to their deconsolidation, and the classification in this item of the assets of Marcinelle (€85 million), Enel France (€38 million) and other minor assets.

Liabilities and shareholders’ equity

6.d Equity attributable to the shareholders of the Parent Company - *€35,112 million*

The increase in the first nine months of 2016 in equity attributable to the shareholders of the Parent Company, equal to €2,736 million, mainly reflects the non-proportional demerger of Enel Green Power, through which – in a share exchange that involved an increase in the capital and share premium reserve of Enel SpA to finance the demerger – the Group increased its stake in the company from 68.29% to 100% (with an overall impact of €2,065 million) as well as the recognition of net income for the period (€2,757 million), only partly offset by income recognized directly through equity (-€58 million). These factors were only partly offset by the distribution of dividends in the period (€1,316 million), and an increase in non-controlling interests (with an equivalent decrease in equity attributable to the shareholders of the Parent Company) following the corporate reorganization of renewables operations in Spain with the disposal of 60% of Enel Green Power España by Enel Green Power International to Endesa Generación.

6.e Non-current liabilities - *€61,636 million*

Long-term borrowings, totaling €40,716 million (€44,872 million at December 31, 2015), consist of bonds in the amount of €31,474 million (€35,987 million at December 31, 2015) and bank debt and other borrowings in the amount of €9,242 million (€8,885 million at December 31, 2015). The decrease during the period reflects the depreciation of the US dollar and other currencies in which the debt is denominated, repayments made and reclassifications to short term, which more than offset new borrowing.

Provisions and deferred tax liabilities came to €16,190 million at September 30, 2016 (€16,453 million at December 31, 2015) and include:

> post-employment and other employee benefits totaling €2,251 million, down €33 million compared with December 31, 2015, essentially due to outlays during the period, partly offset by discounting effects and exchange rate developments;

> provisions for risks and charges amounting to €5,192 million (€5,192 million at December 31, 2015). The item includes, among others, the litigation provision of €755 million (€762 million at December 31, 2015), the nuclear decommissioning provision of €615 million (€528 million at December 31, 2015), the plant dismantling and site restoration provision of €599 million (€611 million at December 31, 2015), the provision for taxes and duties of €236 million (€290 million at December 31, 2015) and the early retirement incentive provision of €2,145 million (€2,182 million at December 31, 2015);

> deferred tax liabilities, totaling €8,747 million (€8,977 million at December 31, 2015), which decreased largely as a result of depreciation of the foreign currencies used by subsidiaries and the uses made with respect to depreciation and amortization.

Other non-current liabilities, amounting to €4,730 million (€3,067 million at December 31, 2015), increased by €1,663 million, essentially due to the change in the fair value of financial derivatives (+€1,574 million), which mainly regarded exchange rate and interest rate hedges designated as cash flow hedges.

6.f Current liabilities - *€37,688 million*

Short-term borrowings and current portion of long-term borrowings increased by €301 million, going from €7,888 million at the end of 2015 to €8,189 million at September 30, 2016. The rise essentially reflects the increase of €2,091 million in commercial paper issues, partly offset by a decline in the short-term portion of bonds (-€986 million) and collateral received from counterparties in OTC derivatives transactions (-€798 million).

Trade payables, amounting to €11,427 million (€11,775 million at December 31, 2015), declined by €348 million.

Other current liabilities, totaling €18,072 million, break down as follows:

Millions of euro

	at Sept. 30, 2016	at Dec. 31, 2015	Change	
Payables due to customers	1,766	1,567	199	12.7%
Payables due to institutional market operators	4,930	4,879	51	1.0%
Current financial liabilities	3,914	6,572	(2,658)	-40.4%
Social security contributions payable and payables to employees	547	674	(127)	-18.8%
Tax payables	2,223	1,576	647	41.1%
Other	4,692	4,741	(49)	-1.0%
Total	**18,072**	**20,009**	**(1,937)**	**-9.7%**

The decrease of €1,937 million is essentially due to:

- a decrease of €2,658 million in current financial liabilities, largely due to the decrease in the fair value of financial derivatives (€2,497 million, mainly related to derivatives measured at fair value through profit or loss hedging commodity price risk) and the decrease in accrued financial expense;
- a decrease of €127 million in payables to employees, mainly in Italy in relation to early retirement incentive mechanisms;
- an increase of €647 million in tax payables, attributed essentially to the estimate for income taxes for the period net of taxes paid and payables for surtaxes on electricity and gas consumption;
- an increase of €199 million in payables to customers, attributable to a rise in customer reimbursements (of which €137 million in Italy) and payables for service quality in Argentina (+€83 million, essentially connected with the discounting of those payables pursuant to the provisions of Resolution ENRE no.1/2016).

6.g Liabilities held for sale - *€95 million*

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

7. Net financial position

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at September 30, 2016 and December 31, 2015, reconciled with net financial debt as prepared in accordance with the presentation procedures of the Enel Group.

Millions of euro

	at Sept. 30, 2016	at Dec. 31, 2015	Change	
Cash and cash equivalents on hand	423	582	(159)	-27.3%
Bank and post office deposits	5,968	10,057	(4,089)	-40.7%
Securities	30	1	29	-
Liquidity	**6,421**	**10,640**	**(4,219)**	**-39.7%**
Short-term financial receivables	2,068	1,324	744	56.2%
Factoring receivables	102	147	(45)	-30.6%
Current portion of long-term financial receivables	765	769	(4)	-0.5%
Current financial receivables	**2,935**	**2,240**	**695**	**31.0%**
Bank debt	(224)	(180)	(44)	-24.4%
Commercial paper	(2,304)	(213)	(2,091)	-
Current portion of long-term bank borrowings	(879)	(844)	(35)	-4.1%
Bonds issued (current portion)	(3,584)	(4,570)	986	21.6%
Other borrowings (current portion)	(250)	(319)	69	21.6%
Other short-term financial payables [1]	(1,050)	(1,762)	712	40.4%
Total current financial debt	**(8,291)**	**(7,888)**	**(403)**	**-5.1%**
Net current financial position	**1,065**	**4,992**	**(3,927)**	**-78.7%**
Debt to banks and financing entities	(7,365)	(6,863)	(502)	-7.3%
Bonds	(31,474)	(35,987)	4,513	12.5%
Other borrowings	(1,877)	(2,022)	145	7.2%
Non-current financial position	**(40,716)**	**(44,872)**	**4,156**	**9.3%**
NET FINANCIAL POSITION as per CONSOB instructions	**(39,651)**	**(39,880)**	**229**	**0.6%**
Long-term financial receivables and securities	**2,830**	**2,335**	**495**	**21.2%**
NET FINANCIAL DEBT	**(36,821)**	**(37,545)**	**724**	**1.9%**

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

None of these items involve transactions with related parties.

Other information

8. Related parties

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

The table below summarizes the main types of transactions carried out with such counterparties.

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

Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance, institutional relationships and other social services.

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

The following tables summarize transactions with related parties, associated companies and joint arrangements outstanding at September 30, 2016 and December 31, 2015 and carried out during the first nine months of 2016 and 2015.

Millions of euro

	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane	Other	Key management personnel	**Total first nine months of 2016**	Associates and joint arrangements	**Overall total first nine months of 2016**	**Total in financial statements**	**% of total**
Income statement													
Revenue from sales and services	35	947	1,062	846	346	48	51	-	**3,335**	194	**3,529**	**50,131**	**7.0%**
Other revenue	-	-	2	-	6	-	2	-	**10**	8	**18**	**1,328**	**1.4%**
Financial income	-	-	14	-	-	-	-	-	**14**	3	**17**	**3,166**	**0.5%**
Electricity, gas and fuel purchases	2,287	1,167	47	694	2	-	-	-	**4,197**	249	**4,446**	**23,141**	**19.2%**
Services and other materials	1	47	1,613	105	3	60	36	-	**1,865**	76	**1,941**	**12,100**	**16.0%**
Other operating expenses	2	192	4	-	-	-	-	-	**198**	-	**198**	**1,858**	**10.7%**
Net income/(expense) from commodity contracts measured at fair value	-	-	10	-	-	-	-	-	**10**	13	**23**	**(130)**	**-17.7%**
Financial expense	-	-	-	-	1	-	-	-	**1**	20	**21**	**5,343**	**0.4%**

Millions of euro

	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane	Other	Key management personnel	**Total at Sept. 30, 2016**	Associates and joint arrangements	**Overall total at Sept. 30, 2016**	**Total in financial statements**	**% of total**
Balance sheet													
Other non-current assets	-	-	-	-	-	-	-	-	**-**	20	**20**	**13,189**	**0.2%**
Trade receivables	8	266	437	10	25	-	41	-	**787**	105	**892**	**13,310**	**6.7%**
Other current assets	-	11	5	9	250	-	1	-	**276**	16	**292**	**10,718**	**2.7%**
Other non-current liabilities	-	-	-	-	-	-	6	-	**6**	-	**6**	**4,730**	**0.1%**
Trade payables	528	355	296	44	1,404	57	21	-	**2,705**	79	**2,784**	**11,427**	**24.4%**
Other current liabilities	-	-	3	-	-	1	-	-	**4**	5	**9**	**12,997**	**0.1%**
Other information													
Guarantees given	-	280	250	-	-	10	75	-	**615**	**-**	**615**		
Guarantees received	-	-	-	250	-	11	29	-	**290**	**-**	**290**		
Commitments	-	-	2	5	-	-	11	-	**18**	**-**	**18**		

Millions of euro

	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane	Other	Key management personnel	**Total first nine months of 2015**	Associates and joint arrangements	**Overall total first nine months of 2015**	**Total in financial statements**	**% of total**
Income statement													
Revenue from sales and services	-	1,910	871	1,097	161	28	56	-	**4,123**	62	**4,185**	**54,367**	**7.7%**
Other revenue and income	-	-	3	-	216	-	12	-	**231**	1	**232**	**1,631**	**14.2%**
Other financial income	-	-	-	-	-	-	-	-	**-**	15	**15**	**2,924**	**0.5%**
Electricity, gas and fuel purchases	2,823	1,143	80	1,139	3	-	26	-	**5,214**	202	**5,416**	**28,008**	**19.3%**
Services and other materials	1	64	1,458	87	3	83	34	-	**1,730**	77	**1,807**	**12,070**	**15.0%**
Other operating expenses	2	-	3	34	-	-	-	-	**39**	-	**39**	**1,365**	**2.9%**
Net income/(expense) from commodity contracts measured at fair value	-	-	7	-	-	-	-	-	**7**	-	**7**	**78**	**9.0%**
Other financial expense	-	-	-	-	-	-	-	-	**-**	22	**22**	**4,922**	**0.4%**

Millions of euro

	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane	Other	Key management personnel	**Total at Sept. 30, 2015**	Associates and joint arrangements	**Overall total at Sept. 30, 2015**	**Total in financial statements**	**% of total**
Balance sheet													
Trade receivables	-	217	473	116	68	5	15	-	**894**	43	**937**	**12,797**	**7.3%**
Other current financial assets	-	-	-	-	-	-	-	-	**-**	2	**2**	**2,381**	**0.1%**
Other current assets	-	4	25	-	69	5	2	-	**105**	30	**135**	**2,898**	**4.7%**
Other non-current liabilities	-	-	-	-	-	-	4	-	**4**	-	**4**	**1,549**	**0.3%**
Trade payables	620	373	376	184	1,256	38	27	-	**2,874**	37	**2,911**	**11,775**	**24.7%**
Other current liabilities	-	-	8	-	-	1	4	-	**13**	1	**14**	**11,222**	**0.1%**
Other information													
Guarantees given	-	280	253	-	-	-	1	-	**534**	**-**	**534**		
Guarantees received	-	-	-	150	-	8	27	-	**185**	**-**	**185**		
Commitments	-	-	2	21	-	-	14	-	**37**	**-**	**37**		

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries (available at https://www.enel.com/en/investors/a201608-related-parties-committee.html) in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In the first nine months of 2015, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution no. 17221 of March 12, 2010, as amended with Resolution no. 17389 of June 23, 2010.

9. Contractual commitments and guarantees

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

Millions of euro

	at Sept. 30, 2016	at Dec. 31, 2015	Change
Guarantees given:			
- sureties and other guarantees granted to third parties	8,557	6,701	1,856
Commitments to suppliers for:			
- electricity purchases	60,849	48,733	12,116
- fuel purchases	44,231	64,114	(19,883)
- various supplies	1,038	1,725	(687)
- tenders	2,340	1,905	435
- other	3,996	2,895	1,101
Total	**112,454**	**119,372**	**(6,918)**
TOTAL	**121,011**	**126,073**	**(5,062)**

Commitments for electricity amounted to €60,849 million at September 30, 2016, of which €15,856 million refer to the period October 1, 2016-2020, €12,832 million to the period 2021-2025, €10,225 million to the period 2026-2030 and the remaining €21,936 million beyond 2030.

Commitments for the purchase of fuels are determined with reference to the contractual parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at September 30, 2016 amounted to €44,231 million, of which €23,610 million refer to the period October 1, 2016-2020, €12,474 million to the period 2021-2025, €7,028 million to the period 2026-2030 and the remaining €1,119 million beyond 2030.

10. Contingent liabilities and assets

Porto Tolle thermal plant - Air pollution - Criminal proceedings against Enel directors and employees

The proceeding before the Court of Appeal of Venice is currently pending and the next hearing has been set for November 17, 2016. The court could issue its ruling by the end of the year.

Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

The trial phase of criminal proceeding under way before the Court of Brindisi concerning the Brindisi Sud thermal plant has been completed. A number of employees of Enel Produzione – cited as a liable party in civil litigation during 2013 – had been accused of causing criminal damage and dumping of hazardous substances with regard to the alleged contamination of land adjacent to the plant with coal dust as a result of actions between 1999 and 2011. In its decision of October 26, 2016, the Court of Brindisi: (i) acquitted nine of the thirteen defendants (employees/managers of Enel Produzione) for not having committed the offense; (ii) ruled that it did not have to proceed as the offense was time-barred for two of the defendants; (and iii) convicted the remaining two defendants, sentencing them with all the allowances provided for by law to nine months' imprisonment. With regard to payment of damages, the Court's ruling also: (i) denied all claims of public parties and associations acting in the criminal proceeding to recover damages; and (ii) granted most of the claims filed by the private parties acting to recover damages, referring the latter to the civil courts for quantification without granting a provisional award.

Criminal proceedings are also under way before the Courts of Reggio Calabria and Vibo Valentia against a number of employees of Enel Produzione for the offense of illegal waste disposal in connection with alleged violations concerning the disposal of waste from the Brindisi plant. Enel Produzione has not been cited as a liable party for civil damages.

The criminal proceedings before the Court of Reggio Calabria ended with the hearing of June 23, 2016. The court acquitted nearly all of the Enel defendants of the main charges because no crime was committed. Just one case was dismissed under the statute of limitations. Similarly, all of the remaining charges involving minor offenses were dismissed under the statute of limitations. The proceedings before the Court of Vibo Valentia were adjourned from June 28, 2016 to May 4, 2017, in order to hear the testimony of the final witnesses called by the other defendants.

Litigation and out-of-court disputes connected with the blackout of September 28, 2003

Acting on the basis of the ruling of October 21, 2013, Enel sued Cattolica before the Court of Rome in October 2014 in order to obtain a specification of the amounts due to it and the payment of those damages by Cattolica. At the hearing of October 3, 2016, the court denied the counterparties' petition for a suspension of the proceeding pending completion of the appeals process, granting time for the filing of briefs and adjourning the case for the examination of motions to July 4, 2017.

BEG litigation

In February 2012, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA with the *Tribunal de Grande Instance* in Paris in order to render the ruling of the Albanian court enforceable in France. Enel SpA and Enelpower SpA challenged the suit. The proceeding is still under way.

In March 2014, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA in New York to render the ruling of the Albanian court enforceable in the State of New York.
On April 22, 2014, in response to a motion filed by Enel and Enelpower, the court revoked the previous ruling issued *inaudita altera parte* against the companies freezing assets of around $600 million. The suit is pending and no measures, preliminary or otherwise, have been taken by the court. On April 27, 2015, Enel SpA and Enelpower SpA asked for the case to be transferred from the New York state courts to the federal courts. In a ruling of March 10, 2016, the federal court denied the motion of Enel SpA and Enelpower SpA, confirming the jurisdiction of the New York state court, where the case is proceeding. Enel SpA and Enelpower SpA appealed the decision, which had denied their claim that the Court of New York did not have jurisdiction and that appeal is also proceeding.
As regards the proceeding under way in the Netherlands, in a ruling of February 9, 2016, the Hague Court of Appeal upheld the appeals, ordering the revocation of the preliminary injunctions subject to the pledging of a guarantee by Enel of €440 million and a counter-guarantee by Albania BEG Ambient Shpk of about €50 million (the estimated value of the losses of Enel and Enelpower from the seizure of assets and the pledge of bank guarantees).
Enel's guarantee was issued on March 30, 2016. Albania BEG Ambient Shpk did not issue its counter-guarantee by the deadline of three weeks. On April 4, 2016, Albania BEG Ambient Shpk appealed the ruling of February 9, 2016 before the Court of Cassation in the Netherlands. Enel and Enelpower filed on May 20, 2016

In addition, at the end of July 2014, Albania BEG Ambient Shpk filed suit to obtain the recognition and enforcement of the Albanian court decision in the Netherlands. The final hearing of that proceeding was held at the end of January 2016. On June 29, 2016, the court entered its judgment, which: (i) ruled that the Albanian ruling meets the requirements for recognition and enforcement in the Netherlands; (ii) ordered Enel and Enelpower to pay €433,091,870.00 to Albania BEG Ambient Shpk, in addition to costs and ancillary charges of €60,673.78; and (iii) denied Albania BEG Ambient Shpk's request to declare the ruling provisionally enforceable. On June 29, 2016, Enel and Enelpower appealed the ruling. The appeal has full de novo effect. The Court of Appeal will re-examine the entire subject of the dispute. Accordingly, Enel and Enelpower will be able to present their defense in its entirety. On September 27, 2016, Albania BEG Ambient Shpk also appealed the court's ruling of June 29, 2016, to request the reversal of its partial loss on the merits.
On July 14, 2016, Albania BEG Ambient Shpk notified a provisional seizure on the basis of a precautionary measure issued without hearing the other party in the amount of €440 million with a number of entities and the seizure of the shares of three companies controlled by Enel SpA in the Netherlands. Enel appealed and in a ruling of August 26, 2016, the Court of Amsterdam decided that the precautionary measures issued in 2014 and 2016 would be revoked if Albania BEG Ambient Shpk did not provide a bank guarantee of €7 million to Enel and Enelpower by October 21, 2016. Albania BEG Ambient Shpk did not provide the guarantee and, accordingly, the seizures of the assets of Enel SpA and Enelpower SpA in the Netherland were revoked and no longer effective as from October 21, 2016.

Albania BEG Ambient Shpk also filed suits in Ireland and Luxembourg to render the ruling of the Court of Tirana enforceable in those two countries. In Ireland, the court issued a ruling on March 8, 2016 upholding the defense of Enel and Enelpower, finding that the country had no jurisdiction. Approval of the ruling by the court is pending. In Luxembourg, the proceeding is still under way. The court has issued no ruling.

Violations of Legislative Decree 231/2001

With regard to proceedings for alleged violation of Legislative Decree 231/2001 concerning the administrative liability of legal persons, for an accident involving an employee of a subcontractor at the Enel Federico II plant at Brindisi in 2009, Enel Produzione was charged with administrative liability for negligent personal injury. The trial in the court of first instance ended on March 8, 2016 with the acquittal of the Enel employees and the Company for offenses under Legislative Decree 231/2001. The sentence became definitive in September 2016.

Basilus litigation (formerly Meridional) - Brazil

With regard to the legal action taken by Basilus against Ampla, the latter obtained favorable judgments in the courts of first and second instance. Although the second-level decision had become definitive Basilus lodged special appeals (*embargos de declaraçao*), the last of which was not granted. Subsequently, Basilus filed another appeal (*mandado de segurança*) asking for the adverse ruling in the *embargo de declaraçao* to be overturned. The *Tribunal Superior de Justiça* (the third level of the court system) ruled that the *Tribunal de Justiça* should hear the last of the *embargos de declaraçao*. That decision may be appealed. The amount involved in the dispute is about R$1,344 million (about €311 million).

CIEN litigation - Brazil

CIEN's defense is similar to that used in the previous case. The claims advanced by Furnas were rejected by the trial court in August 2014. Furnas lodged an appeal against the latter decision, while CIEN also lodged an appeal and the proceeding is under way.

Coperva litigation - Brazil

Coelce obtained favorable rulings in trial court and on appeal but Coperva submitted another appeal (*embargo de aclaración*), which was denied in a ruling of January 11, 2016, Coperva lodged an extraordinary appeal before the *Tribunal Superior de Justiça* on February 3, 2016. The proceedings are currently under way.

El Quimbo (Colombia)

In a ruling of the Administrative Court of Huila of April 11, 2016 the temporary revocation of the precautionary injunction was upheld for a period of six months until October 16, 2016. Emgesa submitted a plan to ensure specified oxygen levels and is currently examining the comments made by the court. The court set a hearing for October 31, 2016, asking that ANLA and CAM file a report on the quality of the water.

SAPE (formerly Electrica) arbitration proceedings - Romania

On July 5, 2013, Electrica notified Enel, Enel Investment Holding, Enel Distributie Muntenia and Enel Energie Muntenia (limited to a number of claims) of a request for arbitration before the International Chamber of Commerce in Paris, claiming damages for alleged violations of specific clauses of the Privatization Agreement. More specifically, the plaintiff claimed payment of penalties of about €800 million, plus interest and additional unspecified damages.
On July 18, 2016, the ruling of the arbitration board unanimously rejecting SAPE's claims was notified, declaring them inadmissible or unfounded, and ordering SAPE to pay arbitration costs.

On September 29, 2014, SAPE notified Enel and Enel Investment Holding that it had submitted a further arbitration request to the International Chamber of Commerce in Paris seeking around €500 million (plus interest) in connection with the put option contained in the Privatization Agreement. The put option gives SAPE the right to sell a 13.57% stake in Enel Distributie Muntenia and Enel Energie Muntenia. The proceeding is under way and a hearing was held in July 2016.
On April 20, 2016, SAPE submitted a further request for arbitration before the International Chamber of Commerce in Paris in respect of Enel SpA and Enel Investment Holding BV concerning the failure to distribute dividends (plus interest). In September 2016, SAPE modified its arbitration claims, suing Enel Energie Muntenia and Enel Distributie Muntenia as well and revising its monetary claim to $64,074,767. The proceeding is at the preliminary stage.

Gabčíkovo dispute - Slovakia

On March 9, 2015, the decision of the appeals court overturned the ruling of the court of first instance and voided the contract as part of the action pursued by the Public Procurement Office (PPO).
Slovenské elektrárne ("SE") lodged an extraordinary appeal against that decision before the Supreme Court. At a hearing of June 29, 2016, the Supreme Court denied the appeal. SE then appealed the ruling to the Constitutional Court.
In addition, SE lodged a request for arbitration against Minister of the Economy of the Slovak Republic and the National Property Fund with the Vienna International Arbitral Centre (VIAC) under the VEG Indemnity Agreement. Under that accord, which had been signed as part of the privatization between the National Property Fund of the Slovak Republic and SE, the latter is entitled to an indemnity in the event of the early termination of the VEG Operation Agreement for reasons not attributable to SE. The arbitration court rejected the objection that it did not have jurisdiction and the arbitration proceeding is under way.
SE was sued by Vodohospodárska Výstavba Štátny Podnik ("VV") for payment of about €490 million for alleged unjustified enrichment from the operation of the plant in 2006-2015. SE rejected the demand and filed a petition to have the proceedings halted pending a decision in the PPO proceeding. The proceedings concerning 2006-2010 have been suspended, while a decision on the suspension of those for 2011, 2012 and 2015 was appealed by VV. For 2013, SE has filed an extraordinary appeal against the denial of the request for suspension of those proceedings, while for 2014 the court has set a hearing for February 2017. The proceeding is continuing.

CIS and Interporto Campano

In the arbitration ruling filed on January 31, 2015, the ruling of the arbitration board in the first of two proceedings with the same counterparty found against the contractor as well as contributory negligence on the part of both the CIS and Enel Green Power ("EGP"), ordering EGP to pay about €2.5 million, equal to half of the damages originally admitted for indemnification. The parties appealed the ruling and at the hearing on April 20, 2016, the arbitration board sent the proceeding documentation to the President of the Section for joinder of the pending proceedings. In May 2016, the latter ordered the joinder of the pending proceedings. At a hearing on October 14, 2016, the Court of Appeals of Naples adjourned the proceedings to the filing of final pleadings at a hearing on November 10, 2017.

Precautionary administrative proceeding and Chucas arbitration

PH Chucas SA ("Chucas") is a special purpose entity established by Enel Green Power Costa Rica SA after it won a tender organized in 2007 by the Instituto Costarricense de Electricidad ("ICE") for the construction of a 50 MW hydroelectric plant and the sale of the power generated by the plant to ICE under a build, operate and transfer contract (BOT). The agreement provides for Chucas to build and operate the plant for 20 years, before transferring it to ICE. Under the BOT contract, the plant should have entered service on September 26, 2014. For a number of reasons, including flooding, landslides and similar events, the project experienced cost overruns and delays, with a consequent delay in meeting the obligation to deliver electricity. In view of these developments, in 2012 and 2013 Chucas submitted administrative petitions to ICE to recover the higher costs incurred and obtain a postponement of the entry into service of the plant. ICE denied the petition in 2015 and in fact levied two fines of about $9 million on Chucas for the delays in entering service. Following the precautionary appeal of Chucas, payment of the fines was suspended.

In addition, as ICE had rejected the administrative petition, on May 27, 2015, under the provisions of the BOT contract, Chucas initiated an arbitration proceeding before the Cámara Costarricense-Norteamericana de Comercio (AMCHAM CICA) seeking reimbursement of the additional costs incurred to build the plant and as a result of the delays in completing the project as well as voidance of the fine levied by ICE. On September 29, 2015 the arbitration board was formed. The proceeding is under way and the setting of the date of the hearing is pending.

In addition, on October 3, 2015, in consideration of the violation of a number of contractual obligations (including failure to meet the deadline to complete the works) on the part of FCC Construcción America SA and FCC Construcción SA (FCC) – which had been engaged to build some of the works for the hydroelectric plant – Chucas notified the parties that it was terminating the contract for breach, enforcing the guarantees issued to it. However, the guarantees have not yet been paid pending resolution of an arbitration proceeding initiated by FCC on October 27, 2015 with the International Court of Arbitration in Paris. In its Statement of Claim, filed on June 8, 2016, FCC requested payment of about $36 million and an extension of the deadline to complete the works of about 200 days. Chucas filed a counterclaim and its own Statement of Defense on October 7, 2016, quantifying its claim for damages as at least €38 million.

Tax litigation - deadline for payment of ICMS - Ampla - Brazil

On October 25, 2015, Ampla filed the ruling issued by the Supreme Court of Brasilia (published on October 2, 2015), which ruled that bringing forward the deadlines for the payment of the ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*) was unconstitutional. Consequently, in 2016 the Brazilian tax authorities terminated their legal action, settling the dispute in Ampla's favor.

Tax litigation - withholding tax - Endesa Brasil - Brazil

In July 2016, the dispute was ruled at first instance in favor of the tax authorities. Endesa Brasil will therefore appealed the decision to the second level of administrative jurisdiction. The overall value of the dispute at September 30, 2016 is about €69 million.

11. Subsequent events

Agreement for acquisition of Metroweb

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

The transaction provides for the following stages:

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

> the acquisition by EOF of all of Metroweb share capital, currently held by F2i SGR SpA ("F2i") and FSI Investimenti SpA, for about €714 million;

> the merger of Metroweb and its wholly-owned subsidiaries into Metroweb SpA;

> the subsequent merger of Metroweb SpA into EOF.

There has been no change in the provision for Enel and CDPE to grant an option to F2i to reinvest in the surviving company through the acquisition from Enel and CDPE of a stake of up to 30% of that company's share capital. The exercise price of the option will be based on the amount paid by EOF for the purchase of Metroweb.

Following the transaction, the EOF will be jointly controlled by Enel and CDPE (even if F2i reinvests in the company) and will therefore be accounted for by Enel using the equity method.

The implementation of the transaction will enable EOF:

> to accelerate the development of the network construction project;

> to broaden the scope of the cabling operation, developing a commercial offering that includes the most important Italian cities and, therefore, of interest to all alternative operators that appreciate a project being implemented on a national scale (note that the Metroweb group has cabled Milan and is laying cable in Bologna and Turin);

> to exploit the industrial skills and know-how developed by the Metroweb group;

> to improve the financial profile of the project and, accordingly, its financing opportunities.

The acquisition of Metroweb is expected to be finalized by the end of December 2016, subject to obtaining the necessary approvals by the competent authorities.

New agreements for ultra-broadband development between Enel OpEn Fiber and Italian cities

On October 12, 2016, the City of Padua and Enel OpEn Fiber ("EOF"), the Enel Group company for the development of a national ultra-broadband infrastructure, signed an initial agreement to lay optical fiber throughout the city. Enel OpEn Fiber's plan for Padua provides for coverage of 50% of building units by June 2017 and 80% by May 2018, for a total of about 116,000 building units cabled, about 560 km of underground cabling and about 210 km of overhead cabling. The planned investment will be about €30 million.

On October 24, 2016, an analogous agreement was reached with the City of Cagliari, with coverage of 50% of building units by July 2017 and 80% by March 2018, for a total of about 66,000 building units cabled, about 440 km of underground cabling and about 60 km of overhead cabling. The planned investment will be about €20 million.

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

Enel admitted to the A-list of the Carbon Disclosure Project

On October 25, 2016, Enel was admitted to the exclusive A-list of the Carbon Disclosure Project (CDP), the index most widely used by sustainable finance to guide investors towards companies who have demonstrated the greatest awareness of climate change issues.
The A-list of the CDP includes the companies, selected from among some 2,000 participants around the world, that stand out for the effectiveness of their strategy for seizing the opportunities and managing the risks of climate change. The score for inclusion in the index also takes account of the comprehensiveness and transparency of the information provided on greenhouse gas emissions. This year, admission to the A-list rewarded companies like Enel who have set binding targets for the reduction of greenhouse gas emissions to levels compatible with science-based objectives.
Entry in the CDP index is a further confirmation of Enel's strategy in combatting climate change and progressing towards a low-carbon economy, underscored by the Group's goal of becoming carbon neutral by 2050.

Merger of Endesa Americas and Chilectra Americas into Enersis Americas nears completion

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

> the entitled shareholders of Enersis Americas have exercised their right to withdraw within the maximum limit of 10% of the share capital of that company post-merger. Furthermore, following the withdrawals, no shareholder actually owns a larger stake than that provided for by law, defined as 65% of Enersis Americas' share capital;
> the entitled shareholders of Endesa Americas have exercised their right to withdraw within the maximum limit of 10% of the company's share capital;
> the entitled shareholders of Chilectra Americas have exercised their right to withdraw within the maximum limit of 0.91% of the company's share capital.

The merger will come into effect on the first day of the month following the month in which the companies involved certify that the above conditions have been met.
Enersis Americas also announced that, as a result of the above, the conditions for the public tender offer launched on September 13, 2016 by Enersis Americas for the Endesa Americas free float have also been fulfilled, the offer period for which came to an end on October 28, 2016. More details on the outcome of the tender will soon be provided by Enersis Americas in accordance with the regulations of the countries (i.e. Chile and the United States) in which the offer was launched.

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

The officer responsible for the preparation of the Company's financial reports, Alberto De Paoli, hereby certifies, pursuant to Article 154-*bis*, paragraph 2, of the Consolidated Law on Financial Intermediation, that the accounting information contained in the Interim Financial Report at September 30, 2016 corresponds with that contained in the accounting documentation, books and records.

Enel
Società per azioni
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