

**Interim Condensed Financial Statements
of Enel Finance International N.V.
at 30 June 2017**



Contents

| | |
|--|----|
| Director's report | 1 |
| General information | 4 |
| Significant events in the first half of 2017 | 4 |
| Overview of the Company's performance and financial position | 5 |
| Main Risks and uncertainties | 7 |
| Related Parties | 7 |
| Outlook | 7 |
| Board of Directors composition | 7 |
| Subsequent events | 7 |
| Personnel | 7 |
| Statement of the Board of Directors | 7 |
| Financial statements for the first half of 2017 | |
| Statement of comprehensive income | 10 |
| Statement of financial position | 11 |
| Statement of changes in equity | 12 |
| Statement of cash flows | 13 |
| Notes to the financial statements | 14 |
| Other information | 34 |



Interim Director's Report

General information

The Management of the Company hereby presents its interim condensed financial statements for the period ended on 30 June 2017.

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

Significant events in the 1st half of 2017

Green bond

On January 2017 the Company successfully placed on the European market its first green bond for institutional investors, backed by a guarantee issued by Enel S.p.A. The issue totals 1,250 million euros and provides for repayment in single instalment at maturity on 16 September 2024, as well as the payment of a fixed-rate coupon of 1%, payable annually in arrears in the month of September, as from September 2017. The issue price was set at 99.001% and the effective yield to maturity is equal to 1.137%. The green bond is listed on regulated markets of the Irish and Luxembourg Stock Exchanges and Borsa Italiana.

The net proceeds raised in the issue – carried out under the medium-term note program (EMTN) – will be used to finance the Enel Group's eligible green projects identified and/or to be identified with the Green Bond Principles 2016 published by the International Capital Market Association (ICMA).

Swiss franc-denominated bond

On 3 March 2017 the Company placed swiss franc-denominated bond with maturity 7.5 years. The issue totaled 225 million.

US dollar-denominated bonds

On 23 May 2017 the Company launched a multi-tranche bond issue offered on the US and international markets for institutional investors for a total of 5 billion US dollars

The transaction is structured in the following tranches:

- 2,000 million USD at a fixed rate of 2.875% maturing in 2022;
- 2,000 million USD at a fixed rate of 3.625% maturing in 2027; and
- 1,000 million USD at a fixed rate of 4.750% maturing in 2047.

BEG litigation

Please refer to the Annual report 2016 of the Company for the description of BEG case.

Overview of the Company's performance and financial position

Analysis of the Company financial position

Millions of euro

| | at Jun. 30, 2017 | at Dec. 31, 2016 | Change |
|--|---------------------|---------------------|--------------|
| Net non-current assets: | | | |
| -other non-current financial assets | 541 | 760 | (219) |
| -other non-current financial liabilities | (729) | (702) | (27) |
| Total net non-current assets | (188) | 58 | (246) |
| Net current assets: | | | |
| -net tax receivable/ (payable) | (28) | - | (28) |
| -other current financial assets | 469 | 547 | (78) |
| -other current activities | - | 212 | (212) |
| -other current financial liabilities | (508) | (391) | (117) |
| -other current liabilities | (4) | (2) | (2) |
| Total net current assets | (71) | 366 | (437) |
| Gross capital employed | (259) | 424 | (683) |
| Sundry provisions: | | | |
| -deferred tax assets/ (liabilities) | 238 | 293 | (55) |
| Total provisions | 238 | 293 | |
| Net Capital Employed | (21) | 718 | (739) |
| Total Shareholders' Equity | 2,178 | 2,006 | 172 |
| Net financial debt | (2,199) | (1,288) | (911) |

The net non-current assets/(liabilities), at 30 June 2017, decreased by Euro 246 million compared to 31 December 2016. The variation refers essentially to the decrease of non-current derivative assets (Euro 213 million), to the increase of non-current derivative liability (Euro 26 million) and depreciation of financial prepaid expenses (Euro 5 million).

Net current assets/(liabilities) came to a negative Euro 71 million with a decrease of Euro 437 million compared to 31 December 2016. The variation is mainly due to decrease of receivables of Enel Green Power S.p.A. (Euro 204 million) and receivables of Enel Investment Holding B.V. (Eur 8 million), the increase of interest payables (Euro 109 million) and increase of Euro 77 million fair value current derivatives (Euro 69 million decrease of assets and Euro 8 million increase of liabilities) and increase of payables for income tax (Euro 28 million), decrease of interest receivables (Euro 3 million) and decrease of other financial assets (Euro 6 million) and increase of other current liabilities (Euro 3 million)

Deferred taxes totaled Euro 238 million decreased by Euro 55 million and followed movement of cash flow hedge transaction accrued directly in other comprehensive income.

Net capital employed amounted negative 21 million at 30 June 2017, down Euro 739 million compared to 31 December 2016. The variation is due to the decrease of the Net Financial Debt (Euro 911 million) partly offset by increase of shareholders' equity (Euro 172 million).

The debt-to-equity ratio at 30 June 2017 came to a negative 101% (negative 64% at 31 December 2016).

Net financial debt

Millions of euro

| | at Jun 30, 2017 | at Dec. 31, 2016 | Change |
|---|--------------------|---------------------|----------------|
| Long-term debt: | | | |
| - bonds | 20,908 | 16,099 | 4,809 |
| <i>Long-term debt</i> | <i>20,908</i> | <i>16,099</i> | <i>4,809</i> |
| - loans to Group companies | (19,777) | (19,152) | (625) |
| <i>Long term financial receivables</i> | <i>(19,777)</i> | <i>(19,152)</i> | <i>(625)</i> |
| Net long-term financial debt | 1,131 | (3,053) | 4,184 |
| Short-term debt/(liquidity): | | | |
| - bonds (short-term portion) | 2,552 | 2,058 | 494 |
| - l/t receivables due from Group companies (short-term portion) | (773) | (777) | 4 |
| <i>Current amount of long-term net financial debt</i> | <i>1,779</i> | <i>1,281</i> | <i>498</i> |
| - commercial paper | 430 | 2,127 | (1,697) |
| - short-term loans from Group companies | 4,386 | 5,070 | (684) |
| - cash collateral on derivatives and other financing | 8 | 0 | 8 |
| <i>Short-term loans</i> | <i>4,816</i> | <i>7,197</i> | <i>(2,381)</i> |
| - short-term financial receivables due from Group companies | (5,453) | (4,519) | (934) |
| - other sundry receivables | (55) | 0 | (55) |
| - cash collateral | (2) | (6) | 4 |
| - financial Service Agreement with Enel S.p.A. | (4,410) | (2,096) | (2,314) |
| - cash and cash equivalents | (5) | (92) | 87 |
| <i>Cash and cash equivalents and short-term financial receivables</i> | <i>(9,925)</i> | <i>(6,713)</i> | <i>(3,212)</i> |
| Net short-term financial debt | (3,330) | 1,765 | (5,095) |
| NET FINANCIAL DEBT | (2,199) | (1,288) | (911) |

Net financial debt amounting to negative Euro 2,199 million at 30 June 2017 showed a decrease (Euro 911 million) compared with the year end 2016.

Net long-term financial debt stood at Euro 1,131 million, increased by Euro 4,184 million principally as a result of issuing new bonds (Euro 5,924 million) and early repayment of loans by Enel Iberia S.A. (Euro 668 million), reclassification of current portion to short-term assets (Euro 70 million) which partly offset by new loan granted to Enel Green Power S.p.A (Euro 1,362 million) and positive foreign exchange effect (Euro 586 million) on the outstanding bonds denominated in non-Euro currencies and reclassification of current portion of bonds (Euro 494 million) and amortised costs loan-term bonds totaled Euro 36 million.

Net short-term financial debt decreased by Euro 5,095 million to Euro negative 3,330 million with the change principally referring to repayment of commercial papers issued in euro (Euro 1,697 million), decrease of short-term loans from Group Companies (Euro 684 million) and increase of short-term financing granted to Group Companies (Euro 934 million) and Enel SpA (Euro 2,314 million). This effect was partly compensated by decrease of cash and cash equivalents (Euro 87 million) and reclassification of current portion of bonds (Euro 494 million).

Main Risks and uncertainties

Significant risks, risk appetite which could have a material effect on financial position and results as well as risk mitigation strategy have been described in the annual financial statements for 2016. Those categories and risks remain valid and should be read in conjunction with this interim report.

Related Parties

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

Outlook

During the second half of 2017, the Company will continue to implement the liability management strategy to optimize funding and lending portfolios, keeping on supporting Enel Group in its developing and consolidation process.

Board of Directors composition

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

Subsequent events

In accordance with the Liability Management Program the Company has decided to redeem the USD 1,750 5,125% Notes due 2019 prior to maturity.

The notes carry a make whole call provision. The call price will be calculated based on present value of principal payments and interests discounted at US treasury rate plus 30bps.

Relevant counterparties were notified about the transaction on 12 July 2017. The debt will be settled on 2 August 2017

Personnel

At 30 June 2017 the Company employs ten people.

Statement of the Board of Directors

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

To our knowledge,

- > the interim condensed financial statements give a true and fair view of the assets, liabilities, financial position and result of Enel Finance International N.V.;
- > the Director's Report gives a true and fair view of the Company's position as per 30 June 2017 and the developments during the financial period ended 30 June 2017;
- > the Director's Report describes the principal risks the Company is facing.

These interim condensed financial statements are prepared according to International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and it is externally not audited. Furthermore this interim report complies with the EU Transparency Directive enacted in the Netherlands in 2008 and subsequently came into force as from 1 January 2009. The Company's main obligations under the aforementioned Transparency Directive can be summarized as follows:

- > filing its approved interim condensed financial statements electronically with the AFM (Autoriteit Financiële Markten) in the Netherlands within five days after their approval;
- > making its interim condensed financial report generally available to the public by posting it on Enel S.p.A. official website within 2 months after the end of first sixth months of the 2017 fiscal year (by 31 August 2017);
- > making its interim condensed financial report generally available to the public by issuing an information notice on a financial newspaper or on a financial system at European level within 2 months after the end of first sixth months of the 2017 fiscal year (by 31 August 2017).

Amsterdam, 26 July 2017

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



Interim Condensed Financial statements

for the period ended 30 June 2017

**prepared in accordance with International
Financial Reporting Standards as adopted by the
European Union**

Statement of comprehensive income

| Millions of euro | Note | 1st half | |
|--|------------|----------|---------|
| | | 2017 | 2016 |
| Costs | | | |
| Services | 1 | (1) | (1) |
| Personnel | 1 | - | (1) |
| | (Subtotal) | (1) | (2) |
| Operating income | | (1) | (2) |
| Financial income | | | |
| Financial income other than from derivatives | 2 | 1,154 | 956 |
| Financial income from derivatives | 3 | 392 | 107 |
| | (Subtotal) | 1,546 | 1,063 |
| Financial expense | | | |
| Financial expense other than from derivatives | 2 | (733) | (531) |
| Financial expense from derivative | 3 | (789) | (512) |
| | (Subtotal) | (1,522) | (1,043) |
| Net financial income/ (expense) | | 24 | 20 |
| Income/(Loss) before taxes | | 23 | 18 |
| Income Taxes | 4 | 15 | 4 |
| Net income for the year | | 8 | 14 |
| Other components of comprehensive income recyclable to profit or loss in future periods: | | | |
| - Effective portion of change in the fair value of cash flow hedges net of deferred taxes | 12 | 164 | (555) |
| Total comprehensive income/(loss) for the period (attributable to the shareholder of the Company) | | 172 | (541) |

Statement of financial position

Millions of Euro

Note

| | | at Jun. 30, 2017 | at Dec. 31, 2016 |
|--|------------|---------------------|---------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Deferred tax assets | 5 | 238 | 293 |
| Long-term loans and financial receivables | 6 | 19,776 | 19,152 |
| Derivatives | 7 | 515 | 729 |
| Other non-current financial assets | 8 | 26 | 31 |
| | (Subtotal) | 20,555 | 20,205 |
| Current assets | | | |
| Current portion of long-term loans and financial receivables | 6 | 773 | 777 |
| Short-term loans and financial receivables | 9 | 9,862 | 6,617 |
| Derivatives | 7 | 287 | 357 |
| Other current financial assets | 10 | 238 | 189 |
| Other current assets | 11 | 3 | 220 |
| Cash and cash equivalents | 12 | 5 | 92 |
| | (Subtotal) | 11,168 | 8,252 |
| TOTAL ASSETS | | 31,723 | 28,457 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | |
| Share capital | 13 | 1,479 | 1,479 |
| Share premium reserve | 13 | 1,026 | 1,026 |
| Cash flow hedge reserve | 13 | (713) | (877) |
| Retained earnings | 13 | 378 | 334 |
| Net income for the period | 13 | 8 | 44 |
| Total shareholder's equity | | 2,178 | 2,006 |
| Non-current liabilities | | | |
| Long-term loans and borrowings | 14 | 20,908 | 16,099 |
| Derivatives | 7 | 729 | 702 |
| | (Subtotal) | 21,637 | 16,801 |
| Current liabilities | | | |
| Current portion of long-term loans | 14 | 2,552 | 2,058 |
| Short-term loans and borrowings | 15 | 4,816 | 7,197 |
| Derivatives | 7 | 24 | 17 |
| Income tax payables | 16 | 28 | - |
| Other current financial liabilities | 17 | 483 | 375 |
| Other current liabilities | | 5 | 3 |
| | (Subtotal) | 7,908 | 9,650 |
| TOTAL EQUITY AND LIABILITIES | | 31,723 | 28,457 |

Statement of changes in equity

Millions of euro

| | Share capital | Share premium reserve | Cash flow hedge reserve | Retained earnings | Net income for the period | Equity attributable to the shareholders |
|--|---------------|-----------------------|-------------------------|-------------------|---------------------------|---|
| At 1 January 2016 | 1,479 | 43 | (368) | 302 | 31 | 1,487 |
| Allocation of net income from the previous year | - | - | - | 31 | (31) | - |
| Comprehensive income for the year: | - | - | (555) | - | | (541) |
| of which: | | | | | | |
| - other comprehensive income (loss) for the period | - | - | (555) | - | - | (555) |
| - net income for period | - | - | | - | 14 | 14 |
| At 30 June 2016 | 1,479 | 43 | (923) | 333 | | 946 |
| At 1 January 2017 | 1,479 | 1,026 | (877) | 333 | 45 | 2,006 |
| Allocation of net income from the previous year | - | - | - | 45 | (45) | - |
| Comprehensive income for the year: | - | - | 164 | - | | 164 |
| of which: | | | | | | |
| - other comprehensive income (loss) for the period | - | - | 164 | - | | 164 |
| - net income for period | - | - | - | - | 8 | 8 |
| At 30 June 2017 | 1,479 | 1,026 | (713) | 378 | 8 | 2,178 |

Statement of cash flows

| Millions of euro | Note | 1st half | |
|---|--------|----------------|----------------|
| | | 2017 | 2016 |
| Income for the period | | 8 | 14 |
| Adjustments for: | | | |
| Financial (income) | 2,3 | (1,546) | (1,063) |
| Financial expense | 2,3 | 1,522 | 1,044 |
| Income taxes | 4 | 15 | 4 |
| <i>Cash flow from operating activities before changes in net current assets</i> | | <i>(1)</i> | <i>(1)</i> |
| (Increase)/Decrease in financial and non-financial assets/liabilities | | 252 | 2 |
| Interest income and other financial income collected | | 593 | 565 |
| Interest expense and other financial expense paid | | (373) | (423) |
| Income taxes (paid)/received | | 14 | (15) |
| Cash flows from operating activities (a) | | 483 | 128 |
| <i>New loans granted to Enel S.p.A. and affiliates</i> | | <i>(3,752)</i> | <i>(1,334)</i> |
| <i>Repayments and other movements from Enel S.p.A. and affiliates</i> | | <i>2,021</i> | <i>1,340</i> |
| Cash flows from investing/disinvesting activities (b) | | (1,731) | 6 |
| Financial debt (new borrowings) | 14, 15 | 6,351 | 1,382 |
| Financial debt (repayments and other changes) | | (2,874) | (1,872) |
| Cash flows from financing activities (c) | | 3,477 | (490) |
| Increase/(Decrease) in cash and cash equivalents (a+b+c) | | 2,229 | (356) |
| Cash and cash equivalents at the beginning of the year | | 2,186 | 1,647 |
| Cash and cash equivalents at the end of the year | | 4,415 | 1,291 |
| <i>current account with banks</i> | | <i>5</i> | <i>49</i> |
| <i>current account with Enel S.p.A.</i> | | <i>4,410</i> | <i>1,242</i> |

Notes to the financial statements

Form and content of the financial statement

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

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

Company's financial statements are included into the consolidated financial statements of Enel Group, which can be obtained from the investor relations section of Enel official website (<http://www.enel.com>).

Corporate purpose

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

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

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

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

Compliance with IFRS/IAS

The interim condensed financial statements for the six months ended at 30 June 2017 have been prepared in compliance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) in effect at the same date. All of these standards and

interpretations are hereinafter referred to as "IFRS-EU".

More specifically, the interim condensed financial statements have been drawn-up in compliance with IAS 34 – Interim financial reporting and consist of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes.

Please note that the Company adopts the half-year as the reference interim period for the purposes of applying IAS 34 and the definition of interim financial report specified therein.

The accounting standards adopted, the recognition and measurement criteria and methods used for the condensed interim financial statements at 30 June 2017 are the same as those adopted for the financial statements at 31 December 2016 (please see the related report for more information).

These condensed interim financial statements may therefore not include all the information required to be reported in the annual financial statements and must be read together with the financial statements for the year ended 31 December 2016. No impairment evaluation has been performed in this half year financial statement.

Basis of presentation

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

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

- > Derivative financial instruments, valued at fair value;
- > Loans and receivable and financial liabilities recognized at amortized cost.

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

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

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

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

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

Functional and presentation currency

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

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

Going Concern

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

Solvency

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

Risk management

Market risk

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

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

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

The fair value of listed instruments is the market price at 30 June 2017. The fair value of over the counter (OTC) instruments is calculated with standard pricing models for each instrument typology. The expected future cash flows are discounted with market interest rate curves, while foreign currency amounts are converted to Euro using the official European Central Bank exchange rates at 30 June 2017.

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

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

The notional amount of a financial derivative is the nominal on which payments are calculated. Foreign currency amounts are converted to Euro at official European Central Bank exchange rates at 30 June 2017.

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

Interest rate risk

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

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

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

Interest rate risk sensitivity analysis

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

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

Thousands of euro

| <u>Interest rate risk sensitivity analysis</u> | | at Jun. 30, 2017 | | | |
|--|-------------------------|--------------------------|----------|--------------------------|-----------|
| | | Pre-tax impact on income | | Pre-tax impact on equity | |
| | Interest Rates scenario | increase | decrease | increase | decrease |
| Change in interest expense related to long term gross floating-rate debt after hedging | 25 bp | 125 | (125) | - | - |
| Change in Fair value of Derivative financial instruments not qualifying for hedge accounting | 25 bp | 33 | (33) | - | - |
| Change in Fair value of Derivative Financial instruments designated as hedging instruments | 25 bp | - | - | 124,083 | (124,083) |

Exchange rate risk

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

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

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

Foreign exchange risk sensitivity analysis

The Company performs sensitivity analysis by estimating the effects on financial instruments portfolio of changes in the level of exchange rates. In particular sensitivity analysis measures the potential

impact of market scenarios both on equity, for the hedging component of cash flow hedges derivatives, and on income statement for those derivatives that do not qualify for hedge accounting and the portion of gross long-term foreign denominated debt not covered by derivatives.

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

Thousands of euro

| <i>Foreign exchange risk sensitivity analysis</i> | | at Jun.30, 2017 | | | |
|--|------------------------|--------------------------|------------|--------------------------|------------|
| | | Pre-tax impact on income | | Pre-tax impact on equity | |
| | Exchange Rate scenario | Euro Appr. | Euro Depr. | Euro Appr. | Euro Depr. |
| - | | | | | |
| Change in interest expense related to long term foreign denominated gross debt after hedging | 10% | - | - | - | - |
| Change in Fair value of Derivative financial instruments not qualifying for hedge accounting | 10% | 195,061 | (238,219) | - | - |
| Change in Fair value of Derivative Financial instruments designated as hedging instruments | 10% | - | - | (1,570,392) | 1,919,437 |

Credit risk

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

Credit risk from intercompany loans and other financial receivable is managed by the Company. Enel Finance International N.V. is part of the centralising financial flow process and acts as the primary reference for the management of financial needs or liquidity generated by Enel Group entities. The Company manages its lending operations to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2017 are the carrying amounts.

Liquidity risk

Liquidity Risk is the risk that the Company will become unable to settle obligations with immediacy, or will be able to meet them only at uneconomic conditions. In order to mitigate this risk Enel Finance International N.V. meets liquidity requirements primarily through cash flows generated by ordinary operations and drawing on a range of financing sources while managing any liquidity excess as appropriate. The Company has an access to committed credit line with Mediobanca (Euro 4,720 million). The outstanding commercial paper programs with a maximum ceiling on 6,000 million, of which only Euro 430 million drawn at 30 June 2017.

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

Notes to the financial statements

1 Result from operating activities – Euro (1) million

Result from operating activities is negative for Euro 1 million decreased by Euro 1 million comparing to the same period of previous year.

2 Financial income/(expense) other than from derivatives – Euro 421 million

Millions of euro

| | 1st half | | |
|--|--------------|--------------|--------------|
| | 2017 | 2016 | Change |
| Financial income: | | | |
| Interest income | | | |
| - interest income on long-term financial assets | 496 | 492 | 4 |
| - interest income on short-term financial assets | 49 | 34 | 15 |
| Total interest income | 545 | 526 | 19 |
| Positive exchange rate differences | 609 | 430 | 179 |
| Total finance income other than from derivatives | 1,154 | 956 | 198 |
| Financial expense: | | | |
| Interest expense | | | |
| - interest expense on borrowings | (39) | (45) | 6 |
| - interest expense on bonds | (482) | (473) | (9) |
| - interest expense on commercial papers | 1 | (1) | 2 |
| Total interest expense | (520) | (519) | (1) |
| Negative exchange rate differences | (213) | (12) | (201) |
| Total financial expense other than from derivatives | (733) | (531) | (198) |
| Net financial income/ (expense) other than from derivatives | 421 | 425 | (4) |

Interest income from financial assets increased to Euro 545 million, up Euro 19 million on 30 June 2017 with the variation mainly due to increase of interest income resulted of increase of average loans and short-term revolving lines granted to Group companies. In first half of 2017 interest income received from several counterparties was grossed-up by withholding tax (Euro 8 million).

Interests charges on financial debt totaled Euro 520 million having an increase of Euro 1 million mainly due to increase of interest accrued on bonds issued in 2017 (Euro 24 million) and increase of interest paid to Group companies (Euro 1 million) partly offset by decrease of interests (Euro 22 million) attributed to a bond repaid in September 2016 and decrease of interest charges paid for commercial paper (Euro 2 million).

The net foreign exchange gain amount to Euro 396 million and they are mainly due to appreciation of the bonds denominated in foreign currencies (Euro 586 million) and net exchange gains devoted to revolving facility agreement and short term deposit agreement (Euro 190 million).

The amount of the foreign exchange gain arisen from bond revaluation was entirely covered with the reversal of the Cash Flow Hedge equity reserve resulting in a financial loss.

3. Financial income/(expense) from derivatives –Euro (397) million

Millions of euro

| | 1st half | | |
|---|--------------|--------------|--------------|
| | 2017 | 2016 | Change |
| Financial income from derivatives: | | | |
| - income from cash flow hedge derivatives | 48 | 33 | 15 |
| - income from derivatives at fair value through profit or loss | 344 | 74 | 270 |
| Total finance income from derivatives | 392 | 107 | 285 |
| Financial expense from derivatives: | | | |
| - expense from cash flow hedge derivatives | (598) | (418) | (180) |
| - expense from derivatives at fair value through profit or loss | (191) | (94) | (97) |
| Total financial expense from derivatives | (789) | (512) | (277) |
| Net income/(expense) from derivatives | (397) | (405) | 8 |

Net expenses from cash flow hedge derivatives totaled to Euro 550 million increased by Euro 165 million comparing with the previous period mainly due to increase of financial loss transfer to equity (Euro 176 million) partly offset by increase of interest income for swaps (Euro 11 million).

Net income from derivatives at fair value through profit and loss totaled to Euro 153 million increased by Euro 173 million mainly as a result of roll over hedging strategy and fair value fluctuation.

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

4 Income tax expense – Euro14 million

Millions of euro

| | 1st half | | |
|------------------------------------|-----------|----------|----------|
| | 2017 | 2016 | Change |
| Profit before income taxes | 23 | 18 | 5 |
| Tax rate at nominal tax rate (25%) | 6 | 4 | 1 |
| Withholding tax on interests | 8 | - | 8 |
| Current Taxation | 14 | 4 | 9 |

Income tax accrued based on estimated average income tax rate 25%.

5 Deferred tax assets – Euro 238 million

Deferred tax asset accrued for deductible temporary differences that arose due to revaluation of derivative and relise to profit and loss forex revaluation of hedged items. The recorded deferred taxes will be utilised in future periods.

6 Long-term loans and financial receivables including portion falling due withing twelve month – Euro 20,549 million

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

Millions of Euro

| | at Jun. 30, 2017 | at Dec. 31, 2016 | Change |
|--|---------------------|------------------------|------------|
| Loan receivable from Enel Iberia Srl | 5,240 | 5,908 | (668) |
| Loan receivable from Enel Distribuzione S.p.A. | 5,500 | 5,500 | - |
| Loan receivable from Endesa SA | 3,000 | 3,000 | - |
| Loan receivable from Enel Produzione S.p.A. | 2,000 | 2,000 | - |
| Loan receivable from Enel Green Power S.p.A. | 1,362 | - | 1,362 |
| Loan receivable from Enel S.p.A. | 1,200 | 1,200 | - |
| Loan receivable from Parque Eólico Renaico SpA | 565 | 554 | 11 |
| Loan receivable from Enel Green Power Hellas SA | 150 | 149 | 1 |
| Loan receivable from PH Chucas SA | 117 | 120 | (3) |
| Loan receivable from Enel Sole S.r.l. | 100 | 100 | - |
| Loan receivable from Energías Renovables La Mata SAPI de Cv | 109 | 122 | (13) |
| Loan receivable from Energía Limpia de Palo Alto S de RL de Cv | 109 | 126 | (17) |
| Loan receivable from Vientos del Altiplano S de RL de Cv | 90 | 105 | (15) |
| Loan receivable from Dominica Energía Limpia S de RL de Cv | 91 | 104 | (13) |
| Loan receivable from Enel Green Power Panama SA | 50 | 57 | (7) |
| Loan receivable from Estrellada SA | 41 | 46 | (5) |
| Loan receivable from Enel Green Power México S de RL de Cv | 32 | 40 | (8) |
| Loan receivable from Kalenta SA | 20 | 21 | (1) |
| Total loans to Enel Group Entities | 19,776 | 19,152 | 624 |

Millions of euro

| | at Jun. 30, 2017 | at Dec. 31, 2016 | Change |
|---|---------------------|------------------------|------------|
| Short-term portion of long-term loans granted to Enel Group Entities | | | |
| Loan receivable from Enel Global Trading S.p.A. | 700 | 700 | - |
| Loan receivable from Energía Limpia de Palo Alto S de RL de Cv | 13 | 14 | (1) |
| Loan receivable from PH Chucas SA | 12 | 13 | (1) |
| Loan receivable from Dominica Energía Limpia S de RL de Cv | 11 | 11 | - |
| Loan receivable from Enel Green Power México S de RL de Cv | 10 | 10 | - |
| Loan receivable from Vientos del Altiplano S de RL de Cv | 11 | 10 | 1 |
| Loan receivable from Energías Renovables La Mata SAPI de Cv | 8 | 9 | (1) |
| Loan receivable from Kalenta SA | 2 | 3 | (1) |
| Loan receivable from Estrellada SA | 3 | 3 | - |
| Loan receivable from Enel Green Power Panama SA | 3 | 4 | (1) |
| Total | 773 | 777 | (4) |

An increase of Euro 620 million of loans granted to Enel Group companies is mainly due to loan granted to Enel Green Power S.p.A. (Euro 1,362 million) and an increase of loan granted to Parque Eólico Renaico SpA (Euro 11 million) An increase was partly compensated by early repayment of loan by Enel Iberia S.A. (Euro 668 million) negotiated in April 2017 and repayment of current portion of loans (Euro 77 million) and negative foreign exchange effect on outstanding non-euro loans.

7. Derivatives – Euro 49 million

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

| Millions of euro | Non Current | | | | Current | | | |
|---|-----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|
| | Notional amount | | Fair value | | Notional amount | | Fair value | |
| | 30 Jun 2017 | 31 Dec 2016 | 30 Jun 2017 | 31 Dec 2016 | 30 Jun 2017 | 31 Dec 2016 | 30 Jun 2017 | 31 Dec 2016 |
| DERIVATIVE ASSETS | | | | | | | | |
| Cash flow hedge | | | | | | | | |
| on interest rate risk | - | - | - | - | - | - | - | - |
| on foreign exchange risk | 4,411 | 4,734 | 512 | 725 | 1,314 | 1,423 | 232 | 344 |
| Total | 4,411 | 4,734 | 512 | 725 | 1,314 | 1,423 | 232 | 344 |
| At fair value through profit or loss | | | | | | | | |
| on interest rate risk | 50 | 50 | 3 | 3 | - | - | - | - |
| on foreign exchange risk | - | - | - | - | 2,681 | 1,573 | 55 | 13 |
| Total | 50 | 50 | 3 | 3 | 2,681 | 1,573 | 55 | 13 |
| TOTAL DERIVATIVE ASSETS | 4,461 | 4,784 | 515 | 729 | 3,995 | 2,996 | 287 | 357 |
| DERIVATIVE LIABILITIES | | | | | | | | |
| Cash flow hedge | | | | | | | | |
| on interest rate risk | 8,091 | 8,400 | 157 | 266 | - | - | - | - |
| on foreign exchange risk | 7,146 | 2,721 | 565 | 429 | 90.02 | - | 11.37 | - |
| Total | 15,237 | 11,121 | 722 | 695 | 90.02 | - | 11.37 | - |
| At fair value through profit or loss | | | | | | | | |
| on interest rate risk | 50 | 50 | 7 | 7 | - | - | - | - |
| on foreign exchange risk | - | - | - | - | 526 | 2,682 | 13 | 17 |
| Total | 50 | 50 | 7 | 7 | 526 | 2,682 | 13 | 17 |
| TOTAL DERIVATIVE LIABILITIES | 15,287 | 11,171 | 729 | 702 | 616 | 2,682 | 24 | 17 |

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

| Millions of euro | | Non Current | | | Current | | | |
|---|----------------|-------------|------------|--------|---------------|--------|-----------|--------|
| | 30 Jun 2017 | Level1 | Level2 | Level3 | 30Jun 2017 | Level1 | Level2 | Level3 |
| DERIVATIVE ASSETS | | | | | | | | |
| Cash flow hedge | | | | | | | | |
| on interest rate risk | 0 | - | 0 | - | - | - | - | - |
| on foreign exchange risk | 512 | - | 512 | - | - | - | - | - |
| Total | 512 | - | 512 | - | - | - | - | - |
| At fair value through profit or loss | | | | | | | | |
| on interest rate risk | 3 | - | 3 | - | - | - | - | - |
| on foreign exchange risk | - | - | - | - | 55 | - | 55 | - |
| Total | - | - | - | - | 55 | - | 55 | - |
| TOTAL DERIVATIVE ASSETS | 512 | - | 512 | - | 55 | - | 55 | - |
| DERIVATIVE LIABILITIES | | | | | | | | |
| Cash flow hedge | | | | | | | | |
| on interest rate risk | 157 | - | 157 | - | - | - | - | - |
| on foreign exchange risk | 565 | - | 565 | - | - | - | - | - |
| Total | 722 | - | 722 | - | - | - | - | - |
| At fair value through profit or loss | | | | | | | | |
| on interest rate risk | 7 | - | 7 | - | - | - | - | - |
| on foreign exchange risk | - | - | - | - | 13 | - | 13 | - |
| Total | 7 | - | 7 | - | 13 | - | 13 | - |
| TOTAL DERIVATIVE LIABILITIES | 729 | - | 729 | - | 13 | - | 13 | - |

8 Other non-current financial assets – Euro 26 million

Other non-current financial assets totaled Euro 26 million as t 30 June 2017 having a decrease of Euro 5 million of cost portion accrued in the period.

At 30 June 2017 non-current financial assets do not include neither past due nor impaired items.

9 Short-term loans and financial receivables – Euro 9,862 million

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

Millions of euro

| | at Jun 30, 2017 | at Dec. 31, 2016 | Change |
|--|-----------------------|------------------------|--------------|
| Short-term loans granted to Enel Group Entities | | | |
| Enel S.p.A. - Financial Services Agreement | 4,410 | 2,096 | 2,314 |
| Revolving short-term facility agreement with E-Distribuzione S.p.A | 1,000 | - | 1,000 |
| Revolving short-term facility agreement with Enel Produzione S.p.A. | 1,500 | 1,000 | 500 |
| Revolving short-term facility agreement with Enel Green Power S.p.A. | 1,600 | 1,000 | 600 |
| Revolving short-term facility agreement with Enel Green Power North America | 878 | 769 | 109 |
| Revolving short-term facility agreement with Enel Green Power RSA | 7 | 219 | (212) |
| Revolving short-term facility agreement with Open Fiber | 140 | 125 | 15 |
| Revolving short-term facility agreement with EGP Hellas | 121 | 122 | (1) |
| Revolving short-term facility agreement with EGP Romania | 11 | 52 | (41) |
| Revolving short-term facility agreement with Villanueva Solar SA de Cv | 36 | - | 36 |
| Revolving short-term facility agreement with Proyecto Solar Villanueva Tres SA de Cv | 44 | - | 44 |
| Revolving short-term facility agreement with Proyecto Solar Don José SA de Cv | 25 | - | 25 |
| Revolving short-term facility agreement with Enel Green Power Peru | 26 | - | 26 |
| Revolving short-term facility agreement with EGP Bulgaria | 19 | 23 | (4) |
| Revolving short-term facility agreement with Enel Global Trading S.p.A. | - | 500 | (500) |
| Revolving short-term facility agreement with Enel Green Power Chile | - | 705 | (705) |
| Other short term loans granted to Enel Group affiliates | 45 | 6 | 39 |
| Total short term loans granted to Enel Group affiliates | 9,862 | 6,617 | 3,245 |

The Euro 3,245 million increase of short-term loans principally refers to:

- an increase of financial receivables with Enel S.p.A.(Euro 2,314 million);
- an increase revolving line granted to E-Distribuzione SpA (Euro 1,000 million);
- an increase revolving line granted to Enel Produzione (Euro 500 million);
- an increase revolving line granted to Enel Green Power S.p.A. (Euro 600 million)
- an increase of revolving line granted to Enel Green Power North America (Euro 109 million)

This increase was partly compensated by:

- a decreased revolving short-term facility granted to Enel Global Trading S.p.A. (Euro 500 million);
- a decrease of revolving line granted to Enel Green Power Chile (Euro 705 million);
- a decrease of revolving line granted to Enel Green Power RSA (Euro 212 million)

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

| Millions of Euro | | | | | |
|---|-----------------------------|--------------------------------------|-----------------------------|---------------------------|----------------------------------|
| | Financial relationship | Commitment amount as at 30 June 2017 | Rate of Interest | Spread as at 30 June 2017 | Commitment fee as at 30 Jun 2017 |
| Enel Produzione S.p.A. | Revolving credit facility | 1,500 | Euribor | 0.62% | 0.217% |
| Enel Global Trading S.p.A. | Revolving credit facility | 800 | Euribor | 1.20% | 0.420% |
| e-distribuzione S.p.A. | Revolving credit facility | 1,000 | Euribor | 0.50% | 0.175% |
| Enel Iberia S.r.l. | Revolving credit facility | 400 | Euribor | 0.40% | 0.140% |
| Endesa S.A. | Revolving credit facility | 1,000 | CP or Alternative Benchmark | 0.06% | N/A |
| Open Fiber S.p.A | Revolving credit facility | 250 | 1.50% | N/A | 0.525% |
| Enel Green Power Bulgaria EAD | Revolving credit facility | 21 | 3M Euribor | 2.10% | 0.735% |
| Enel Green Power Chile Ltda | Revolving credit facility | 50 ⁽¹⁾ | 3M US Libor | 3.55% | 0.200% |
| Enel Green Power Hellas SA | Revolving credit facility | 131.65 | 3M Euribor | 4.43% | 1.549% |
| Enel Green Power SpA | Revolving credit facility | 1,000 | 3M Euribor | 0.96% | 0.336% |
| Enel Green Power SpA | Revolving credit facility | 600 | 6M Euribor | 1.17% | 0.410% |
| Proveedora de Electricidad de Occidente S de RL de Cv | Revolving credit facility | 15 ⁽¹⁾ | 6M US Libor | 0.40% | 0.141% |
| Energía Limpia de Amistad, S. De R.L. de C.V., | Revolving credit facility | 40 ⁽¹⁾ | 3M US Libor | 3.40% | 1.190% |
| Parque Solar Don Jose, S.A. De C.V., | Revolving credit facility | 80 ⁽¹⁾ | 3M US Libor | 3.40% | 1.190% |
| Villanueva Solar, S.A. De C.V. | Revolving credit facility | 80 ⁽¹⁾ | 3M US Libor | 3.40% | 1.190% |
| Parque Solar Villanueva Tres, S.A. De C.V. | Revolving credit facility | 100 ⁽¹⁾ | 3M US Libor | 3.40% | 1.190% |
| Enel Green Power North America Inc. | Revolving credit facility | 1,310 ⁽¹⁾ | 3M US Libor | 1.45% | 0.507% |
| Enel Green Power Romania Srl | Revolving credit facility | 270 ⁽³⁾ | 3M Robor | 1.81% | 0.632% |
| Enel Green Power RSA (Pty) Ltd | Revolving credit facility | 1,500 ⁽²⁾ | 3M Jibar | 4.91% | 1.717% |
| Enel Green Power Panama S.A. | Revolving credit facility | 15 ⁽¹⁾ | 3M US Libor | 1.4% | 0.490% |
| Enel Green Power Turkey Enerji Yatirimlari Anonim Sirketi | Revolving credit facility | 1.80 | 3M Euribor | 2.18% | 0.761% |
| Enel Green Power Peru S.A. | Revolving credit facility | 80 ⁽¹⁾ | 3M US Libor | 3% | 1.050% |
| Estrellada SA | Revolving credit facility | 10 ⁽¹⁾ | 3M US Libor | 2.90% | 1.015% |
| | ⁽¹⁾ Millions USD | | | | |
| | ⁽²⁾ Millions ZAR | | | | |
| | ⁽³⁾ Millions RON | | | | |

10 Other current financial assets – Euro 283 million

Other current financial assets totaled to Euro 283 million increased by Euro 49 million due to cash collaterals (Euro 56 million) partly offset by decrease of interest receivables (Euro 2 million) and repayment of substitute tax (Euro 5 million). At 30 June 2017 current financial assets do not have neither past due nor impaired items.

11 Other current assets – Euro 3 million

Other current assets totaled to Euro 3 million decreased by Euro 217 million due to decrease of receivables of Enel Green Power S.p.A. (Euro 204 million) and Enel Investment Holding B.V. (Euro 8 million)

At 30 June 2017 current financial assets do not have neither past due nor impaired items.

12 Cash and cash equivalents – Euro 5 million

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

For the purpose of cash flows statement, cash and cash equivalents also includes the positive amount of Financial Services Agreement held with the Parent Company. With reference to 30 June 2017, the amount of the Financial Services Agreement is positive for Euro 4,410 million and it has been classified as current financial assets in the statement of financial position.

13 Shareholder's equity – Euro 1,479 million

Share capital – Euro 1.479 million

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

The issued and paid-up share capital amounts to Euro 1.478,8 million represented by 1.478.810.370 shares with nominal value of Euro 1,0 each.

Share premium reserve – Euro 1,026 million

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

Cash flow hedge reserve – Euro (713) million

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

| Millions of Euro | at Dec 31, 2016 | Gain/(Losses) recognized in equity for the year | Released to income statement | Deferred tax asset | at Jun 30, 2016 |
|---|-----------------------|---|------------------------------------|--------------------------|-----------------------|
| Gains/Losses on change in fair value of the effective portion of CFH Derivatives on interest and exchange rates | (877) | (367) | 586 | (55) | (713) |
| Total gains/(losses) recognized in equity | (877) | (367) | 586 | (55) | (713) |

The increase of cash flow hedge is mainly due to increase of fair value measurement of cross currency interest rate swap derivatives on bonds (Euro 472 million) partly offset by decrease of fair value of interest rate swap derivatives on long-term floating rate loans (Euro 105 million) the release (Euro 586 million) referred to positive variation of the underlying hedged financial liabilities when the latter impact the Company income statement. Deferred tax asset related to the temporary differences of stated above movements totaled Euro 55 million.

Capital Management

It is policy of the Company to maintain a strong capital structure to preserve creditors and market confidence and so sustain future development of the business. The Board of Directors monitors the return on capital.

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

| Millions of euro | | |
|------------------------------|-------------------|--------------------|
| | at Jun.30 2017 | at Jun. 30 2016 |
| Total Equity | 2,178 | 946 |
| Cash flow hedge reserve | (713) | (923) |
| Adjusted equity | 2,891 | 1,869 |
| Net financial result | 24 | 20 |
| Return of capital (*) | 1% | 1% |

* Key Performance Indicator determined on a yearly basis.

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

There were no changes in the Company's approach to capital management during first six months of 2017. The Company is not subject to externally imposed capital requirements.

14 Long-term loans and borrowings (including the portion falling due within twelve months) – Euro 23,460 million

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

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

The following table shows long-term debt and repayment schedules at 30 June 2017, grouped by loan and interest rate type:

Millions of Euro

| | | | | | Portion falling due after more than 12 months | | | | | |
|-----------------------------|------------------|------------------|------------------|------------------|---|---|-------------|--------------|------------|-------------------|
| | Maturing | Balance | Nominal value | Balance | Current portion | Portion falling due after more than 12 months | Maturing in | | | |
| | | at Jun. 30, 2017 | at Jun. 30, 2017 | at Dec. 31, 2016 | | | 2018 | 2019 | 2020 | 2021 Beyond |
| Listed Bond (Fixed rate) | 2017-2040 | 13,495 | 14,030 | 12,114 | 1,239 | 12,256 | 861 | 125 | 671 | 530 10,069 |
| Listed Bond (Floating rate) | 2022-2025 | 445 | 450 | 445 | - | 445 | - | - | - | - 445 |
| Unlisted Bond (Fixed rate) | 2017-2047 | 9,520 | 9,610 | 5,598 | 1,313 | 8,207 | - | 1,529 | - | - 6,678 |
| Total Bond | 2017-2047 | 23,460 | 24,090 | 18,157 | 2,552 | 20,908 | 861 | 1,654 | 671 | 530 17,192 |

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

Millions of Euro

| | at Jun 30, 2017 | at Jun. 30, 2017 | at Dec. 31, 2016 | at Jun. 30, 2017 | |
|----------------------------------|-----------------|------------------|------------------|-------------------------------|-------------------------|
| | Balance | Nominal value | Balance | Current average interest rate | Effective interest rate |
| <i>Total Euro</i> | 10,607 | 11,127 | 9,342 | 3.60% | 4.32% |
| US dollar | 9,340 | 9,420 | 5,421 | 4.83% | 5.02% |
| British pound | 2,532 | 2,559 | 2,599 | 5.70% | 5.82% |
| Swiss Franc | 735 | 737 | 540 | 2.37% | 2.42% |
| Japanese yen | 246 | 247 | 255 | 2.43% | 2.46% |
| <i>Total non-Euro currencies</i> | 12,853 | 12,963 | 8,815 | | |
| Total | 23,460 | 24,090 | 18,157 | | |

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

Millions of Euro

| | at Jun. 30, 2017 | | at Dec. 31, 2016 | | 2017 - 2016 | |
|--|------------------|---------------|------------------|---------------|--------------|--------------|
| | Book Value* | Fair value* | Book Value* | Fair value* | Book Value | Fair value |
| Bonds in non-Euro currencies and Euro currency | 23,460 | 26,895 | 18,157 | 21,528 | 5,302 | 5,367 |
| Total long-term financial debt | 23,460 | 26,895 | 18,157 | 21,528 | 5,302 | 5,367 |

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

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

Millions of Euro

| | Nominal value | New financing | Exchange | Repayments | Exchange rate differences | Nominal value |
|--|-----------------|---------------|----------|------------|---------------------------|-----------------|
| | at Dec 31, 2016 | | | | | at Jun.30, 2017 |
| Bonds in non-Euro currencies and Euro currency | 18,752 | 5,924 | 0 | | (586) | 24,090 |
| Total long-term financial debt | 18,752 | 5,924 | 0 | 0 | (586) | 24,090 |

Global Medium Term Programme

On January 2017 the Company placed on a green bond, backed by a guarantee issued by Enel S.p.A. The issue totaled 1,250 million euros and provided for repayment in single instalment at maturity on 16 September 2024, as well as the payment of a fixed-rate coupon of 1%, payable annually in arrears in the month of September, as from September 2017.

The green bond is listed on regulated markets of the Irish and Luxembourg Stock Exchanges and Borsa Italiana.

On 3 March 2017 the Company placed swiss franc-denominated bond with maturity 7.5 years. The issue totaled 225 million.

On 25 May 2017 the Company issued bonds on the US and international markets for institutional investors.

The transaction is structured in the following tranches:

- 2,000 million USD at a fixed rate of 2.875% maturing in 2022;
- 2,000 million USD at a fixed rate of 3.625% maturing in 2027; and
- 1,000 million USD at a fixed rate of 4.750% maturing in 2047.

Revolving Facility Agreement

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

The facility was undrawn at June 30, 2017

Debt covenants

The main long-term financial debts of the Company are governed by covenants containing undertakings by the borrowers (Enel S.p.A. and the Company) and by Enel S.p.A. as guarantor that are commonly adopted in international business practice. The main covenants for the Company are related to the bond issues carried out within the Global Medium-Term Notes Programme and the Forward Start Facility. The Forward Start Facility was signed on 8 February 2013 by Enel and by the Company with a pool of banks for a total amount of Euro 9.440 million. For more detailed description, please see the 2016 financial statements

To date none of the covenants have been triggered.

15 Short-term loans and borrowings – Euro 4,816 million

Millions of Euro

| | at Jun. 30, 2017 | | at Dec. 31, 2016 | | Change | |
|---------------------------------------|-------------------------|--------------|------------------|--------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| Short-term loans Enel Group companies | 4,378 | 4,378 | 5,071 | 5,071 | (693) | (693) |
| Cash collateral | 8 | 8 | - | - | 8 | 8 |
| Commercial papers | 430 | 430 | 2,127 | 2,127 | (1,697) | (1,697) |
| Short-term financial debt | 4,816 | 4,816 | 7,198 | 7,198 | (2,382) | (2,382) |

Short-term loans

At 30 June 2017 short-term loans decreased by Euro 693 million from 31 December 2016.

Millions of Euro

| | Original currency | Euro counterval ue at Jun.30, 2017 | Euro counterval ue at Dec 31, 2016 | Change |
|--|----------------------|--|---|--------------|
| Intercompany Current Accounts denominated in Euro | | | | |
| Enel Servizio Elettrico S.p.A. | Euro | 2,524 | 2,744 | (220) |
| Enel Investment Holding B.V. | Euro | 933 | 1,344 | (411) |
| Enel IbeiaS.r.l. | Euro | 339 | 303 | 36 |
| Enel Energia S.p.A | Euro | 500 | 500 | 0 |
| Enel Green Power México S de RL de Cv | Euro | 1 | 73 | (72) |
| Provedora de Electricidad de Occidente S de RL de Cv | USD | 0 | 41 | (41) |
| Generadora Montecristo SA | USD, MXN | 46 | 30 | 16 |
| Enel Green Power Chile | USD | 17 | - | 17 |
| Erdwärme Oberland Gm | Euro | 0 | 13 | (13) |
| Kongul Enerđi Sanayive Ticaret Anonim S.irket | TRY | 5 | 8 | (3) |
| Enel Green Power Costa Rica SA | USD | 2 | 6 | (4) |
| Enel Green Power Canada Inc | CAD | 7 | 5 | 2 |
| Enel Green Power Development BV | Euro | 2 | 2 | 0 |
| Kavachik | TRY | 1 | 1 | 0 |
| Ovachik | TRY | 1 | 1 | 0 |
| Total | | 4,378 | 5,071 | (693) |

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

- The Long Term Deposit Agreement with Enel Servizio Elettrico S.p.A. signed on 27 December 2011. The time deposits outstanding under the Agreement have a global balance of Euro 2,524 million;
- The deposit account agreement signed with Enel Investment Holding B.V. in November 2013 to provide a financial instrument to deposit its excess of liquidity resulting from the disposal of some assets and from the day by day activities; at 30 June 2017 the balance under this agreement is equal to Euro 933 million;
- The deposit agreement signed with Enel Energia in 28 June 2016. At 30 June 2016 balance remained Euro 500 million
- The financial agreement signed with Enel Iberia S.r.l. in December 2011 to provide inter alia a financial instrument to deposit its excess of liquidity resulting from the day-by-day activities; at 30 June 2017 the balance under this agreement is equal to Euro 339 million.

Commercial Papers

The payables represented by commercial papers relate to outstanding issuances at 30 June 2016 in the context of the Euro Commercial Paper Programme (hereinafter, also "ECP Programme"), launched in 2005 by the Company and guaranteed by Enel S.p.A.

The total nominal value of commercial papers issued and not yet reimbursed as of 30 June 2016 was Euro 430 million (Euro 2,217 million at 31 December 2016).

16 Income tax payable– Euro 28 million

Starting from 1 January 2015 the Company has formed a fiscal unity with Enel Investment Holding B.V. After a consultation with the Dutch tax authority, Enel Finance International N.V. has replaced Enel Investment Holding B.V. as a head of fiscal unity.

Income tax payables totaled to an amount of Euro 28 million.

17 Other current financial liabilities – Euro 483 million

Other current financial liabilities mainly relate to interest expenses accrued on debt outstanding at 30 June 2017 mainly due to interests arising from GMTN Programme (Euro 447 million) and interest arising from loans granted by Group and other intercompany transactions (Euro 35 million).

Related parties

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

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

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

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

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

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

The following table summarizes the financial relationships between the Company and its related parties at 30 June 2015 and respective period of previous year:

Millions of euro

| | Receivables | Payables | Income | Cost |
|---|--------------------|--------------|------------|------------|
| | at Jun.30, 2017 | | 1H2017 | |
| Shareholder | | | | |
| Enel S.p.A | 6,388 | 595 | 74 | 33 |
| (Subtotal) | 6,388 | 595 | 74 | 33 |
| Other affiliated companies | | | | |
| Enel Distribuzione S.p.A. | 6,565 | | 168 | |
| Enel Energia S.p.A. | | 500 | | |
| Enel Iberia Srl | 5,260 | 339 | 129 | 0 |
| Enel Produzione S.p.A. | 3,520 | | 55 | |
| Enel Servizio Elettrico S.p.A. | | 2,525 | 0 | 6 |
| Enel Sole S.r.l. | 101 | | 1 | |
| Enel Global Trading S.p.A. | 706 | | 11 | |
| Enel Investment Holding B.V. | 1 | 937 | | 1 |
| EGP Bulgaria EAD | 19 | | 0 | |
| Enel Green Power S.p.A. | 2,967 | 7 | 8 | |
| Enel Green Power Chile Ltda | 0 | 17 | 10 | 11 |
| Enel Green Power Costa Rica | | 2 | 0 | 0 |
| P.H. Chucas SA | 130 | | 3 | 10 |
| Generadora Montecristo SA | | 46 | 4 | 1 |
| Enel Green Power Mexico | 41 | 1 | 3 | 4 |
| Proveedora de Electricidad de Occidente Srl de cv | 13 | 1 | 1 | 3 |
| Enel Green Power Panama SA | 66 | | 2 | 6 |
| Enel Green Power Romania | 11 | | 1 | 0 |
| EGP HELLAS | 274 | | 11 | |
| Enel Green Power Canada Inc. | | 7 | 0 | 0 |
| Enel Green Power North America Inc. | 879 | | 25 | 80 |
| ENDESA S.A. | 3,016 | | 45 | |
| Enel Green Power Peru S.A. | 26 | | 2 | 4 |
| Enel Green Power Colombia SAS | 0 | | | |
| Kalenta SA | 24 | | 1 | |
| Enel Green Power Development B.V. | | 2 | | |
| Dominica Energia Limpia S. de R.L. de C.V. | 102 | | 4 | 9 |
| Energias Renovables La Mata S.A.P.I. de C.V. | 117 | | 5 | 10 |
| Enel Green Power Rsa (PTY) Ltd | 8 | | 14 | 1 |
| Enel Green Power Turkey Enerji Yatirimlari AS | 2 | | | |
| Estrellada S.A. | 52 | | 2 | 4 |
| Kongul Enerji Sanayi Ve Ticaret Anonim Sirketi | | 5 | | |
| PARQUE EOLICO RENAICO SPA | 565 | | 20 | 47 |
| Energia Limpia de Palo Alto, S. de R.L. de C.V. | 123 | | 4 | 11 |
| Vientos de Altiplano, S. de R.L. de C.V. | 101 | | 4 | 9 |
| Enel OpEn Fiber S.p.A. | 140 | | 1 | |
| Villanueva Solar S.A. de C.V. | 36 | | 0 | 1 |
| Proyecto Solar Villanueva Tres S.A. de C.V. | 44 | | 1 | 2 |
| Proyecto Solar Don Jos  S.A. de C.V. | 26 | | 1 | 1 |
| Energia Limpia de Amistad, S. de R.L. de C.V. | 12 | | 0 | 0 |
| (Subtotal) | 24,945 | 4,390 | 537 | 220 |
| Total | 31,334 | 4,985 | 611 | 253 |

Millions of euro

| | Receivables | Payables | Income | Cost |
|---|-----------------------------|--------------|---------------|-----------|
| | at Dec. 31, 2016 | | 1H2016 | |
| Shareholder | | | | |
| Enel S.p.A | 4,406 | 733 | 34 | 29 |
| (Subtotal) | 4,406 | 733 | 34 | 29 |
| <i>Other affiliated companies</i> | | | | |
| Enel Distribuzione S.p.A. | 5,566 | - | 169 | |
| Enel Iberia S.A. | 5,931 | 303 | 144 | 0 |
| Enel Produzione S.p.A. | 3,020 | - | 61 | |
| Enel Energia S.p.A. | - | 500 | | 6- |
| Enel Global Trading S.p.A. | 1,205 | - | 16 | |
| Enel Servizio Elettrico S.p.A. | - | 2,744 | - | - |
| Enel Investment Holding B.V. | 10 | 1,346 | | 9 |
| Enel Green Power International B.V. | - | - | 108 | 12 |
| ENDESA S.A. | 3,018 | - | 46 | |
| EGP Bulgaria EAD | 23 | - | - | - |
| Enel Sole S.r.l. | 101 | - | 1 | |
| Enel Green Power S.p.A. | 1,204 | - | 3 | - |
| Enel Green Power Chile Ltda | 705 | - | - | - |
| Enel Green Power Costa Rica | | 6 | - | - |
| P.H. Chucas SA | 136 | - | - | - |
| Generadora Montecristo SA | | 29 | - | - |
| Enel Green Power Mexico | 50 | 73 | - | - |
| Proveedora de Electricidad de Occidente Srl de cv | - | 41 | - | - |
| Enel Green Power Panama SA | 61 | - | - | - |
| Enel Green Power Romania | 52 | - | - | - |
| EGP HELLAS | 275 | - | - | - |
| Enel Green Power Canada Inc. | | 5 | - | - |
| Enel Green Power North America Inc. | 769 | - | - | - |
| Enel Green Power Colombia SAS | 7 | - | - | - |
| Kalenta SA | 24 | - | - | - |
| Enel Green Power Development B.V. | - | 2 | - | - |
| Dominica Energia Limpia S. de R.L. de C.V. | 116 | - | - | - |
| Energias Renovables La Mata S.A.P.I. de C.V. | 131 | - | - | - |
| Enel Green Power Rsa (PTY) Ltd | 219 | - | 1 | - |
| Estrellada S.A. | 56 | - | - | - |
| Kongul Enerji Sanayi Ve Ticaret Anonim Sirketi | 2 | 8 | - | - |
| PARQUE EOLICO RENAICO SPA | 554 | - | - | - |
| Energia Limpia de Palo Alto, S. de R.L. de C.V. | 140 | | - | - |
| Vientos de Altiplano, S. de R.L. de C.V. | 115 | | - | - |
| Edwarme | | 13 | - | - |
| Enel OpEn Fiber S.p.A. | 125 | - | - | - |
| Endesa Latinoamérica S.A. | - | - | - | - |
| (Subtotal) | 23,613 | 5,071 | 549 | 28 |
| Total | 28,019 | 5,804 | 583 | 56 |

For further details of the each relation with related parties please refer to relevant disclosures in these financial statements.

Contractual commitments and guarantees

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

Compensation of Directors

The emoluments of the Company Directors as intended in Section 2:383 (1) of the Dutch Civil Code, which were charged in first six months of 2017, amounted to Euro 43.5 thousand and they are summarized in the following table:

| Thousands of euro | | |
|----------------------|-----------------|--------------|
| | at Jun.30, 2017 | Jun.30, 2016 |
| A.J.M. Nieuwenhuizen | 14.5 | 9 |
| F. Mauritz | - | 9 |
| H. Marseille | 14.5 | 9 |
| E. Di Giacomo | 14.5 | 9 |
| A. Canta | - | - |
| Total | 43.5 | 36 |

Subsequent events

In accordance with the Liability Management Program the Company has decided to redeem the USD 1,750 5,125% Notes due 2019 prior to maturity.

The notes carry a make whole call provision. The call price will be calculated based on present value of principal payments and interests discounted at US treasury rate plus 30bps.

Relevant counterparties were notified about transaction on 12 July 2017. The debt will be settled on 2 August 2017

Amsterdam, 26 July 2017

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