Notes to the consolidated financial statements

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Form and content of the financial statements

Enel SpA has its registered office in Viale Regina Margherita 137, Rome, Italy, and since 1999 has been listed on the Milan stock exchange. Enel is an energy multinational and is one of the world's leading integrated operators in the electricity and gas industries, with a special focus on Europe and Latin America.

The consolidated financial statements for the period ended December 31, 2016 comprise the financial statements of Enel SpA, its subsidiaries and Group holdings in associates and joint ventures, as well as the Group's share of the assets, liabilities, costs and revenue of joint operations ("the Group"). A list of the subsidiaries, associates, joint operations and joint ventures included in the scope of consolidation is attached.

The consolidated financial statements were approved for publication by the Board on March 16, 2017.

These financial statements have been audited by EY SpA.

Basis of presentation

The consolidated financial statements for the year ended December 31, 2016 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation 2002/1606/EC and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as the "IFRS-EU".

The financial statements have also been prepared in conformity with measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005.

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

The assets and liabilities reported in the consolidated balance sheet are classified on a "current/non-current" basis, with separate reporting of assets held for sale and liabilities included in disposal groups held for sale. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the Group or in the 12 months following the balance-sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Group or within the 12 months following the close of the financial year.

The consolidated income statement is classified on the basis of the nature of costs, with separate reporting of net income/(loss) from continuing operations and net income/(loss) from discontinued operations attributable to shareholders of the Parent Company and to non-controlling interests.

The indirect method is used for the consolidated cash flow statement, with separate reporting of any cash flows by operating, investing and financing activities associated with discontinued operations.

In particular, although the Group does not diverge from the provisions of IAS 7 in the classification of items:

> cash flows from operating activities report cash flows from core operations, interest on loans granted and obtained and dividends received from joint ventures or associates;

> investing/disinvesting activities comprise investments in property, plant and equipment and intangible assets and disposals of such assets, including the effects of business combinations in which the Group acquires or loses control of companies, as well as other minor investments;

> cash flows from financing activities include cash flows generated by liability management transactions, dividends paid to non-controlling interests by the Parent Company or other consolidated companies and the effects of transactions in non-controlling interests that do not change the status of control of the companies involved;

> a separate item is used to report the impact of exchange rates on cash and cash equivalents and their impact on profit or loss is eliminated in full in order to neutralize the effect on cash flows from operating activities.

For more information on cash flows as reported in the statement of cash flows, please see the note on "cash flows" in the report on operations.

The income statement, the balance sheet and the statement of cash flows report transactions with related parties, the definition of which is given in the next section below.

The consolidated financial statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS-EU, as explained in the measurement bases applied to each individual item, and of non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

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

The consolidated financial statements provide comparative information in respect of the previous period.

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Accounting policies and measurement criteria

Use of estimates and management judgment

Preparing the consolidated financial statements under IFRS-EU requires management to take decisions and make estimates and assumptions that may impact the value of revenue, costs, assets and liabilities and the related disclosures concerning the items involved as well as contingent assets and liabilities at the balance-sheet date. The estimates and management's judgments are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected through profit or loss if they only involve that period. If the revision involves both the current and future periods, the change is recognized in the period in which the revision is made and in the related future periods.

In order to enhance understanding of the financial statements, the following sections examine the main items affected by the use of estimates and the cases that reflect management judgments to a significant degree, underscoring the main assumptions used by managers in measuring these items in compliance with the IFRS-EU. The critical element of such valuations is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

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

Use of estimates

Revenue recognition

Revenue from sales to customers is recognized when the risks and rewards of the good sold or the service rendered are substantially transferred and are measured on the basis of the fair value of the consideration received or receivable.

Revenue from sales of electricity and gas to retail customers is recognized at the time the electricity or gas is supplied and includes, in addition to amounts invoiced on the basis of periodic meter readings (pertaining to the year), an estimate of the value of electricity and gas sold during the period but not yet invoiced, which is equal to the difference between the amount of electricity and gas delivered to the distribution network and that invoiced in the period, taking account of any network losses. Revenue between the date of the last meter reading and the end of the year is based on estimates of the daily consumption of individual customers calculated on the basis of their consumption record, adjusted to take account of weather conditions and other factors that may affect estimated consumption.

Pension plans and other post-employment benefits

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

Certain employees are also eligible for other post-employment benefit schemes.

The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs.

Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of wage increases, the inflation rate and trends in the cost of medical care.

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

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

Recoverability of non-current assets

The carrying amount of non-current assets is reviewed periodically and wherever circumstances or events suggest that a review is necessary. Goodwill is reviewed at least annually. Such assessments of the recoverable amount of assets are carried out in accordance with the provisions of IAS 36, as described in greater detail in note 20 below.

In particular, the recoverable amount of non-current assets and goodwill is based on estimates and assumptions used in order to determine the amount of cash flow and the discount rates applied. Where the value of non-current assets is considered to be impaired, it is written down to the recoverable value, as estimated on the basis of the use of the assets and their possible future disposal, in accordance with the Company's most recent approved plan.

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

Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012

Law 134 of August 7, 2012 containing "urgent measures for growth" (published in the Gazzetta Ufficiale of August 11, 2012) introduced a sweeping overhaul of the rules governing hydroelectric concessions. Among its various provisions, the law establishes that five years before the expiration of a major hydroelectric water diversion concession and in cases of lapse, relinquishment or revocation, where there is no prevailing public interest for a different use of the water, incompatible with its use for hydroelectric generation, the competent public entity shall organize a public call for tender for the award for consideration of the concession for a period ranging from 20 to a maximum of 30 years.

In order to ensure operational continuity, the law also governs the methods of transfer ownership of the business unit necessary to operate the concession, including all legal relationships relating to the concession, from the outgoing concession holder to the new concession holder, in exchange for payment of a price to be determined in negotiations between the departing concession holder and the grantor agency, taking due account of the following elements:

> for intake and governing works, penstocks and outflow channels, which under the consolidated law governing waters and electrical plants are to be relinquished free of charge (Article 25 of Royal Decree 1775 of December 11, 1933), the revalued cost less government capital grants, also revalued, received by the concession holder for the construction of such works, depreciated for ordinary wear and tear;
> for other property, plant and equipment, the market value, meaning replacement value, reduced by estimated depreciation for ordinary wear and tear.

While acknowledging that the new regulations introduce important changes as to the transfer of ownership of the business unit with regard to the operation of the hydroelectric concession, the practical application of these principles faces difficulties, given the uncertainties that do not permit the formulation of a reliable estimate of the value that can be recovered at the end of existing concessions (residual value).

Accordingly, management has decided to not attempt to formulate an estimate of residual value.

The fact that the legislation requires the new concession holder to make a payment to the departing concession holder prompted management to review the depreciation schedules for assets classified as to be relinquished free of charge prior to Law 134/2012 (until the year ended on December 31, 2011, given that the assets were to be relinquished free of charge, the depreciation period was equal to the closest date between the term of the concession and the end of the useful life of the individual asset), calculating depreciation no longer over the term of the concession but, if longer, over the economic and technical life of the individual assets. If additional information becomes available to enable the calculation of residual value, the carrying amounts of the assets involved will be adjusted prospectively.

Determining the fair value of financial instruments

The fair value of financial instruments is determined on the basis of prices directly observable in the market, where available, or, for unlisted financial instruments, using specific

valuation techniques (mainly based on present value) that maximize the use of observable market inputs. In rare circumstances were this is not possible, the inputs are estimated by management taking due account of the characteristics of the instruments being measured.
In accordance with IFRS 13, the Group includes a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk, using the method discussed in note 45. Changes in the assumptions made in estimating the input date could have an impact on the fair value recognized for those instruments.

Recovery of deferred tax assets

At December 31, 2016, the consolidated financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years and income components whose deductibility is deferred in an amount whose recovery is considered by management to be highly probable.
The recoverability of such assets is subject to the achievement of future profits sufficient to absorb such tax losses and to use the benefits of the other deferred tax assets.
Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies and the tax rates applicable at the date of reversal. However, where the Group should become aware that it is unable to recover all or part of recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

Litigation

The Enel Group is involved in various legal disputes regarding the generation, transport and distribution of electricity. In view of the nature of such litigation, it is not always objectively possible to predict the outcome of such disputes, which in some cases could be unfavorable.
Provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made.

Obligations associated with generation plants, including decommissioning and site restoration

Generation activities may entail obligations for the operator with regard to future interventions that will have to be performed following the end of the operating life of the plant.
Such interventions may involve the decommissioning of plants and site restoration, or other obligations linked to the type of generation technology involved. The nature of such obligations may also have a major impact on the accounting treatment used for them.
In the case of nuclear power plants, where the costs regard both decommissioning and the storage of waste fuel and other radioactive materials, the estimation of the future cost is a critical process, given that the costs will be incurred over a very long span of time, estimated at up to 100 years.
The obligation, based on financial and engineering assumptions, is calculated by discounting the expected future cash flows that the Group considers it will have to pay to meet the obligations it has assumed.
The discount rate used to determine the present value of the liability is the pre-tax risk-free rate and is based on the economic parameters of the country in which the plant is located.
That liability is quantified by management on the basis of the technology existing at the measurement date and is reviewed each year, taking account of developments in storage, decommissioning and site restoration technology, as well as the ongoing evolution of the legislative framework governing health and environmental protection.
Subsequently, the value of the obligation is adjusted to reflect the passage of time and any changes in estimates.

Other

In addition to the items listed above, the use of estimates regarded the fair value measurement of assets acquired and liabilities assumed in business combinations. For these items, the estimates and assumptions are contained in the discussion of the accounting policies adopted.

Management judgments

Identification of cash generating units (CGUs)

In application of "IAS 36 - Impairment of assets", the goodwill recognized in the consolidated financial statements of the Group as a result of business combinations has been allocated to individual or groups of CGUs that will benefit from the combination. A CGU is the smallest group of assets that generates largely independent cash inflows.
In identifying such CGUs, management took account of the specific nature of its assets and the business in which it is involved (geographical area, business area, regulatory framework, etc.), verifying that the cash flows of a given group of assets were closely independent and largely autonomous

of those associated with other assets (or groups of assets). The assets of each CGU were also identified on the basis of the manner in which management manages and monitors those assets within the business model adopted. For a more extensive discussion, please see notes 4 and 5 below and the discussion in the section on "Results by business area" in the report on operations.

The CGUs identified by management to which the goodwill recognized in these consolidated financial statements has been allocated are indicated in the section on intangible assets, to which the reader is invited to refer.

The number and scope of the CGUs are updated systematically to reflect the impact of new business combinations and reorganizations carried out by the Group, and to take account of external factors that could impact the ability of groups of assets to generate independent cash flows.

Determination of the existence of control

Under the provisions of IFRS 10, control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is defined as the current ability to direct the relevant activities of the investee based on existing substantive rights.

The existence of control does not depend solely on ownership of a majority shareholding, but rather it arises from substantive rights that each investor holds over the investee. Consequently, management must use its judgment in assessing whether specific situations determine substantive rights that give the Group the power to direct the relevant activities of the investee in order to affect its returns.

For the purpose of assessing control, management analyses all facts and circumstances including any agreements with other investors, rights arising from other contractual arrangements and potential voting rights (call options, warrants, put options granted to non-controlling shareholders, etc.). These other facts and circumstances could be especially significant in such assessment when the Group holds less than a majority of voting rights, or similar rights, in the investee.

Following such analysis of the existence of control, which had already been done in previous years under the provisions of the then-applicable IAS 27, the Group consolidated certain companies (Emgesa and Codensa) on a line-by-line basis even though it did not hold more than half of the voting rights. That approach was maintained in the assessment carried out in application of IFRS 10 on the basis of the requirements discussed above, as detailed in the attachment "Subsidiaries, associates and other significant equity investments of the Enel Group at December 31, 2016" to these financial statements.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of control.

Finally, the assessment of the existence of control did not find any situations of de facto control.

Determination of the existence of joint control and of the type of joint arrangement

Under the provisions of IFRS 11, a joint arrangement is an agreement where two or more parties have joint control.

Joint control exists when the decisions over the relevant activities require the unanimous consent of at least two parties of a joint arrangement.

A joint arrangement can be configured as a joint venture or a joint operation. Joint ventures are joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangement. Conversely, joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

In order to determine the existence of the joint control and the type of joint arrangement, management must apply judgment and assess its rights and obligations arising from the arrangement. For this purpose, the management considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Following that analysis, the Group has considered its interest in Asociación Nuclear Ascó-Vandellós II as a joint operation.

The Group re-assesses whether or not it has joint control if facts and circumstances indicate that changes have occurred in one or more of the elements considered in verifying the existence of joint control and the type of the joint arrangement.

Determination of the existence of significant influence over an associate

Associated companies are those in which the Group exercises significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee but not exercise control or joint control over those policies. In general, it is presumed that the Group has a significant influence when it has an ownership interest of 20% or more.

In order to determine the existence of significant influence, management must apply judgment and consider all facts and circumstances.

The Group re-assesses whether or not it has significant influence if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of significant influence.

Application of "IFRIC 12 - Service concession arrangements" to concessions

"IFRIC 12 - Service concession arrangements" applies to "public-to-private" service concession arrangements, which can be defined as contracts under which the grantor transfers to a concession holder the right to deliver public services that give access to the main public facilities for a specified period of time in return for managing the infrastructure used to deliver those public services.

More specifically, IFRIC 12 applies to public-to-private service concession arrangements if the grantor:

> controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

> controls – through ownership or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

In assessing the applicability of these provisions for the Group, management carefully analyzed existing concessions. On the basis of that analysis, the provisions of IFRIC 12 are applicable to some of the infrastructure of a number of companies in the Latin America Region that operate in Brazil (essentially Ampla and Coelce).

Related parties

Related parties are mainly parties that have the same controlling entity as Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include entities that operate post-employment benefit plans for employees of Enel SpA or its associates (specifically, the FOPEN and FONDENEL pension funds), as well as the members of the boards of auditors, and their immediate family, and the key management personnel, and their immediate family, of Enel SpA and its subsidiaries. Key management personnel comprises management personnel who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include directors.

Subsidiaries

The Group controls an entity when it is exposed/has rights to variable returns deriving from its involvement and has the ability, through the exercise of its power over the investee, to affect its returns. Power is defined as when the investor has existing rights that give it the current ability to direct the relevant activities.

The figures of the subsidiaries are consolidated on a full line-by-line basis as from the date control is acquired until such control ceases.

Consolidation procedures

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2016 in accordance with the accounting policies adopted by the Parent Company.

If a subsidiary uses different accounting policies from those adopted in preparing the consolidated financial statements for similar transactions and facts in similar circumstances, appropriate adjustments are made to ensure conformity with Group accounting policies.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in or excluded from the consolidated financial statements, respectively, from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and the other components of other comprehensive income are attributed to the owners of the Parent and non-controlling interests, even if this results in a loss for non-controlling interests.

All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full.

Changes in ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their interests in the subsidiary. Any difference between the fair value of the consideration paid or received and the corresponding fraction of equity acquired or sold is recognized in consolidated equity.

When the Group ceases to have control over a subsidiary, any interest retained in the entity is remeasured to its fair value, recognized through profit or loss, at the date when control is lost. In addition, any amounts previously recognized in other comprehensive income in respect of the former subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities.

Investments in joint arrangements and associates

A joint venture is an entity over which the Group exercises joint control and has rights to the net assets of the arrangement. Joint control is the sharing of control of an arrangement, whereby decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over the investee.

The Group's investments in its joint ventures and associates are accounted for using the equity method.

Under the equity method, these investments are initially recognized at cost and any goodwill arising from the difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities at the acquisition date is included in the carrying amount of the investment. Goodwill is not individually tested for impairment.

After the acquisition date, their carrying amount is adjusted to recognize changes in the Group's share of profit or loss of the associate or joint venture. The OCI of such investees is presented as specific items of the Group's OCI.

Distributions received from joint venture and associates reduce the carrying amount of the investments.

Profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate or joint venture. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount.

In the case of the Slovak Power Holding joint venture, any impairment losses are assessed by determining the recoverable value using the price formula specified in the agreement to sell the 66% stake in Slovenské elektrarne by Enel Produzione to EP Slovakia, which is based on various parameters, including the evolution of the net financial position of SE, developments in energy prices in the Slovakian market, the operating efficiency of SE as measured on the basis of benchmarks defined in the contract and the enterprise value of Mochovce units 3 and 4.

If the investment ceases to be an associate or a joint venture, the Group recognizes any retained investment at its fair value, through profit or loss. Any amounts previously recognized in other comprehensive income in respect of the former associate or joint venture are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to exercise a significant influence or joint control, the Group continues to apply the equity method and the share of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction is accounted for as if the Group had directly disposed of the related assets or liabilities.

When a portion of an investment in an associate or joint venture meets the criteria to be classified as held for sale, any retained portion of an investment in the associate or joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion classified as held for sale takes place.

Joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. For each joint operation, the Group recognized assets, liabilities, costs and revenue on the basis of the provisions of the arrangement rather than the participating interest held.

Translation of foreign currency items

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance-sheet exchange rate. Non-monetary assets and liabilities in foreign currency stated at cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in foreign currency stated at fair value are translated using the exchange rate prevailing on the date that value was determined. Any exchange rate differences are recognized through profit or loss.

Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.

In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the presentation currency used in the consolidated financial statements are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.

Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized proportionately in the income statement on the disposal (partial or total) of the subsidiary.

Business combinations

Business combinations initiated before January 1, 2010 and completed within that financial year are recognized on the basis of IFRS 3 (2004).

Such business combinations were recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities incurred or assumed, plus costs directly attributable to the acquisition. This cost was allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the cost of the acquisition and the fair value of the net assets acquired pertaining to shareholders of the Parent Company was recognized as goodwill. Any negative difference was recognized in profit or loss. The value of non-controlling interests was determined in proportion to the interest held by minority shareholders in the net assets. In the case of business combinations achieved in stages, at the date of acquisition any adjustment to the fair value of the net assets acquired previously was recognized in equity; the amount of goodwill was determined for each transaction separately based on the fair values of the acquiree's net assets at the date of each exchange transaction.

Business combinations carried out as from January 1, 2010 are recognized on the basis of IFRS 3 (2008), which is referred to as IFRS 3 (Revised) hereafter.

More specifically, business combinations are recognized using the acquisition method, where the purchase cost (the consideration transferred) is equal to the fair value at the purchase date of the assets acquired and the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Costs directly attributable to the acquisition are recognized through profit or loss.

This cost is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values as at the acquisition date. Any positive difference between the price paid, measured at fair value as at the acquisition date, plus the value of any non-controlling interests, and the net value of the identifiable assets and liabilities of the acquiree measured at fair value is recognized as goodwill. Any negative difference is recognized in profit or loss.

The value of non-controlling interests is determined either in proportion to the interest held by minority shareholders in the net identifiable assets of the acquiree or at their fair value as at the acquisition date.

In the case of business combinations achieved in stages, at the date of acquisition of control the previously held equity interest in the acquiree is remeasured to fair value and any positive or negative difference is recognized in profit or loss.

Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified as an asset or a liability that is a financial instrument within the scope of IAS 39 is recognized in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS-EU. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition, restating comparative figures.

Fair value measurement

For all fair value measurements and disclosures of fair value, that are either required or permitted by international accounting standards, the Group applies IFRS 13.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The fair value measurement assumes that the transaction to sell an asset or transfer a liability takes place in the principal market, i.e. the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place in the most advantageous market to which the Group has access, i.e. the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Market participants are independent, knowledgeable sellers and buyers who are able to enter into a transaction for the asset or the liability and who are motivated but not forced or otherwise compelled to do so.

When measuring fair value, the Group takes into account the characteristics of the asset or liability, in particular:

> for a non-financial asset, a fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use;
> for liabilities and own equity instruments, the fair value reflects the effect of non-performance risk, i.e. the risk that an entity will not fulfill an obligation;
> in the case of groups of financial assets and financial liabilities with offsetting positions in market risk or credit risk, managed on the basis of an entity's net exposure to such risks, it is permitted to measure fair value on a net basis.

In measuring the fair value of assets and liabilities, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenses directly attributable to bringing the asset to the location and condition necessary for its intended use.

The cost is also increased by the present value of the estimate of the costs of decommissioning and restoring the site on which the asset is located where there is a legal or constructive obligation to do so. The corresponding liability is recognized under provisions for risks and charges. The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges".

Property, plant and equipment transferred from customers to connect them to the electricity distribution network and/or to provide them with ongoing access to a supply of electricity is initially recognized at its fair value at the time of the transfer.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the assets themselves. Borrowing costs associated with the purchase/construction of assets that do not meet such requirement are expensed in the period in which they are incurred.

Certain assets that were revalued at the IFRS-EU transition date or in previous periods are recognized at their fair value, which is considered to be their deemed cost at the revaluation date.

Where individual items of major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.

Subsequent costs are recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits associated with the cost incurred to replace a part of the asset will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as incurred.

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

Property, plant and equipment, net of its residual value, is depreciated on a straight-line basis over its estimated useful life, which is reviewed annually and, if appropriate, adjusted prospectively. Depreciation begins when the asset is available for use.

The estimated useful life of the main items of property, plant and equipment is as follows:

Civil buildings	20-70 years
Buildings and civil works incorporated in plants	20-85 years
Hydroelectric power plants:	
- penstock	20-75 years
- mechanical and electrical machinery	24-40 years
- other fixed hydraulic works	25-100 years
Thermal power plants:	
- boilers and auxiliary components	19-46 years
- gas turbine components	10-40 years
- mechanical and electrical machinery	10-45 years
- other fixed hydraulic works	10-66 years
Nuclear power plants	60 years
Geothermal power plants:	
- cooling towers	10-20 years
- turbines and generators	20-30 years
- turbine parts in contact with fluid	10-25 years
- mechanical and electrical machinery	20-22 years
Wind power plants:	
- towers	20-25 years
- turbines and generators	20-25 years
- mechanical and electrical machinery	15-25 years
Solar power plants:	
- mechanical and electrical machinery	15-40 years
Public and artistic lighting:	
- public lighting installations	18-25 years
- artistic lighting installations	20-25 years
Transmission lines	20-50 years
Transformer stations	10-60 years
Distribution plant:	
- high-voltage lines	30-50 years
- primary transformer stations	10-60 years
- low- and medium-voltage lines	23-50 years
Meters:	
- electromechanical meters	2-27 years
- electricity balance measurement equipment	2-35 years
- electronic meters	10-20 years

The useful life of leasehold improvements is determined on the basis of the term of the lease or, if shorter, on the duration of the benefits produced by the improvements themselves.

Land is not depreciated as it has an undetermined useful life.

Assets recognized under property, plant and equipment are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net carrying amount of the derecognized assets.

Assets to be relinquished free of charge

The Group's plants include assets to be relinquished free of charge at the end of the concessions. These mainly regard major water diversion works and the public lands used for the operation of the thermal power plants. For Italy, the concessions terminate between 2020 and 2040.

Within the Italian regulatory framework in force until 2011, if the concessions are not renewed, at those dates all intake and governing works, penstocks, outflow channels and other assets on public lands were to be relinquished free of charge to the State in good operating condition. Accordingly, depreciation on assets to be relinquished was calculated over the shorter of the term of the concession and the remaining useful life of the assets.

In the wake of the legislative changes introduced with Law 134 of August 7, 2012, the assets previously classified as assets "to be relinquished free of charge" connected with the hydroelectric water diversion concessions are now considered in the same manner as other categories of "property, plant and equipment" and are therefore depreciated over the economic and technical life of the asset (where this exceeds the term of the concession), as discussed in the section above on the "Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012", which you are invited to consult for more details.

In accordance with Spanish laws 29/1985 and 46/1999, hydroelectric power stations in Spanish territory operate under administrative concessions at the end of which the plants will be returned to the Government in good operating condition. The terms of the concessions extend up to 2067.

A number of generation companies that operate in Argentina, Brazil and Mexico hold administrative concessions with similar conditions to those applied under the Spanish concession system. These concessions will expire in the period between 2017 and 2088.

Infrastructure used in the service concession arrangement

As regards the distribution of electricity, the Group is a concession holder in Italy for this service. The concession, granted by the Ministry for Economic Development, was issued free of charge and terminates on December 31, 2030. If the concession is not renewed upon expiry, the grantor is required to pay an indemnity. The amount of the indemnity will be determined by agreement of the parties using appropriate valuation methods, based on both the balance-sheet value of the assets themselves and their profitability.

In determining the indemnity, such profitability will be represented by the present value of future cash flows. The infrastructure serving the concessions is owned and available to the concession holder. It is recognized under "Property, plant and equipment" and is depreciated over the useful lives of the assets.
Enel also operates under administrative concessions for the distribution of electricity in other countries (including Spain and Romania). These concessions give the right to build and operate distribution networks for an indefinite period of time.

Infrastructure within the scope of "IFRIC 12 - Service concession arrangements"

Under a "public-to-private" service concession arrangement within the scope of "IFRIC 12 - Service concession arrangements" the operator acts as a service provider and, in accordance with the terms specified in the contract, it constructs/upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for the period of the concession.
The Group, as operator, does not recognize the infrastructure within the scope of IFRIC 12 as property, plant and equipment and it accounts for revenue and costs relating to construction/upgrade services as discussed in the section "Construction contracts". In particular, the Group measures the consideration received or receivable for the construction/upgrading of infrastructure at its fair value and, depending on the characteristics of the service concession arrangement, it recognizes:

> a financial asset, if the operator has an unconditional contractual right to receive cash or another financial asset from the grantor (or from a third party at the direction of the grantor) and the grantor has little discretion to avoid payment. In this case, the grantor contractually guarantees to pay to the operator specified or determinable amounts or the shortfall between the amounts received from the users of the public service and specified or determinable amounts (defined by the contract), and such payments are not dependent on the usage of the infrastructure; and/or
> an intangible asset, if the operator receives the right (a license) to charge users of the public service provided. In such a case, the operator does not have an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

If the Group (as operator) has a contractual right to receive an intangible asset (the right to charge users of the public service), borrowing costs are capitalized using the criteria specified in the section "Property, plant and equipment".
During the operating phase of concession arrangements, the Group accounts for operating service payments in accordance with criteria specified in the section "Revenue".

Leases

The Group holds property, plant and equipment and intangible assets for its various activities under lease contracts.
These contracts are analyzed on the basis of the circumstances and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.
A finance lease is defined as a lease that transfers substantially all the risks and rewards incidental to ownership of the related asset to the lessee. All leases that do not meet the definition of a finance lease are classified as operating leases.
On initial recognition assets held under finance leases are recognized as property, plant and equipment and the related liability is recognized under long-term borrowings. At inception date finance leases are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments due, including the payment required to exercise any purchase option.
The assets are depreciated on the basis of their useful lives. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets.
Payment made under operating lease are recognized as a cost on a straight-line basis over the lease term.
Although not formally designated as lease agreements, certain types of contract can be considered as such if the fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and if the arrangement conveys a right to use such assets.

Investment property

Investment property consists of the Group's real estate held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods and services.
Investment property is measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.
Investment property, excluding land, is depreciated on a straight-line basis over the useful lives of the assets.

Impairment losses are determined on the basis of criteria discussed below.
The breakdown of the fair value of investment property is detailed in note 45 "Assets measured at fair value". Investment property is derecognized either at the time of its disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets.

Intangible assets

Intangible assets are identifiable assets without physical substance controlled by the entity and capable of generating future economic benefits. They are measured at purchase or internal development cost when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.
The cost includes any directly attributable expenses necessary to make the assets ready for their intended use.
Internal development costs are recognized as an intangible asset when both the Group is reasonably assured of the technical feasibility of completing the intangible asset and that the asset will generate future economic benefits and it has intention and ability to complete the asset and use or sell it.
Research costs are recognized as expenses.
Intangible assets with a finite useful life are reported net of accumulated amortization and any impairment losses.
Amortization is calculated on a straight-line basis over the item's estimated useful life, which is reassessed at least annually; any changes in amortization policies are reflected on a prospective basis. Amortization commences when the asset is ready for use. Consequently, intangible assets not yet available for use are not amortized, but are tested for impairment at least annually.
The Group's intangible assets have a definite useful life, with the exception of a number of concessions and goodwill.
Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.
The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is accounted for as a change in accounting estimate.
Intangible assets are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets.
The estimated useful life of the main intangible assets, distinguishing between internally generated and acquired assets, is as follows:

Development costs:	
- internally generated	3-5 years
- acquired	3-5 years
Industrial patents and intellectual property rights:	
- internally generated	5 years
- acquired	3-25 years
Concessions, licenses, trademarks and similar rights:	
- internally generated	-
- acquired	2-60 years
Other:	
- internally generated	2-5 years
- acquired	3-40 years

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, as measured at fair value at the acquisition date, and the value of any non-controlling interests over the net fair value of the acquiree's identifiable assets and liabilities. After initial recognition, goodwill is not amortized, but is tested for recoverability at least annually using the criteria discussed in the section "Impairment of non-financial assets". For the purpose of impairment testing, goodwill is allocated, from the acquisition date, to each of the identified cash generating units.
Goodwill relating to equity investments in associates and joint ventures is included in their carrying amount.

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount of any involved asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.
In order to determine the recoverable amount of property, plant and equipment, investment property, intangible as-

sets and goodwill, the Group generally adopts the value-in-use criterion.

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

The future cash flows used to determine value in use are based on the most recent business plan, approved by the management, containing forecasts for volumes, revenue, operating costs and investments.

These projections cover the next five years. Consequently, cash flows related to subsequent periods are determined on the basis of a long-term growth rate that does not exceed the average long-term growth rate for the particular sector and country.

The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.

If the carrying amount of an asset or of a cash-generating unit to which it is allocated is higher than its recoverable amount, an impairment loss is recognized in profit or loss under "Depreciation, amortization and impairment losses". Impairment losses of cash generating units are firstly charged against the carrying amount of any goodwill attributed to it and then against the other assets, in proportion to their carrying amount.

If the reasons for a previously recognized impairment loss no longer obtain, the carrying amount of the asset is restored through profit or loss, under "Depreciation, amortization and impairment losses", in an amount that shall not exceed the net carrying amount that the asset would have had if the impairment loss had not been recognized and depreciation or amortization had been performed. The original value of goodwill is not restored even if in subsequent years the reasons for the impairment no longer obtain.

The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets not yet available for use is tested for recoverability annually or more frequently if there is evidence suggesting that the assets may be impaired.

If certain specific identified assets owned by the Group are impacted by adverse economic or operating conditions that undermine their capacity to contribute to the generation of cash flows, they can be isolated from the rest of the assets of the CGU, undergo separate analysis of their recoverability and are impaired where necessary.

Inventories

Inventories are measured at the lower of cost and net realizable value except for inventories involved in trading activities, which are measured at fair value with recognition through profit or loss. Cost is determined on the basis of average weighted cost, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated costs to sell or, where applicable, replacement cost.

For the portion of inventories held to discharge sales that have already been made, the net realizable value is determined on the basis of the amount established in the contract of sale.

Inventories include environmental certificates (green certificates, energy efficiency certificates and CO_2 emissions allowances) that were not utilized for compliance in the reporting period. As regards CO_2 emissions allowances, inventories are allocated between the trading portfolio and the compliance portfolio, i.e. those used for compliance with greenhouse gas emissions requirements. Within the latter, CO_2 emissions allowances are allocated to sub-portfolios on the basis of the compliance year to which they have been assigned.

Inventories also include nuclear fuel stocks, use of which is determined on the basis of the electricity generated.

Materials and other consumables (including energy commodities) held for use in production are not written down if it is expected that the final product in which they will be incorporated will be sold at a price sufficient to enable recovery of the cost incurred.

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and contract costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Under this criteria, revenue, expenses and profit are attributed in proportion to the work completed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is recognized as an expense immediately, regardless of the stage of completion of the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. The stage of completion of the contract in progress is determined, using the cost-to-cost method, as a ratio between costs incurred for work performed to the reporting date and the estimated total contract costs. In addition to initial amount of revenue agreed in the contract, contract revenue includes any payments in respect of variations, claims and incentives, to the extent that it is probable that they will result in revenue and can be reliably measured.

The amount due from customers for contract work is presented as an asset; the amount due to customers for contract work is presented as a liability.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized and measured in accordance with IAS 32 and IAS 39.

A financial asset or liability is recognized in the consolidated financial statements when, and only when, the Group becomes party to the contractual provisions of the instrument (the trade date).

Financial instruments are classified as follows under IAS 39:

> financial assets and liabilities at fair value through profit or loss;
> held-to-maturity financial assets;
> loans and receivables;
> available-for-sale financial assets,
> financial liabilities at amortized cost.

Financial assets and liabilities at fair value through profit or loss

This category includes: securities, equity investments in entities other than subsidiaries, associates and joint ventures and investment funds held for trading or designated as at fair value through profit or loss at the time of initial recognition.

Financial instruments at fair value through profit or loss are financial assets and liabilities:

> classified as held for trading because acquired or incurred principally for the purpose of selling or repurchasing at short term;
> designated as such upon initial recognition, under the option allowed by IAS 39 (the fair value option).

Such financial assets and liabilities are initially recognized at fair value with subsequent gains and losses from changes in their fair value recognized through profit or loss.

Held-to-maturity financial assets

This category comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, quoted on an active market and not representing equity investments, for which the Group has the positive intention and ability to hold until maturity. They are initially recognized at fair value, including any transaction costs, and subsequently measured at amortized cost using the effective interest method.

Loans and receivables

This category mainly includes trade receivables and other financial receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted on an active market, other than those the Group intends to sell immediately or in the short term (which are classified as held for trading) and those that the Group, on initial recognition, designates as either at fair value through profit or loss or available for sale. Such assets are initially recognized at fair value, adjusted for any transaction costs, and are subsequently measured at amortized cost using the effective interest method, without discounting unless material.

Available-for-sale financial assets

This category mainly includes listed debt securities not classified as held to maturity and equity investments in other entities (unless classified as "designated as at fair value through profit or loss"). Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

These financial instruments are measured at fair value with changes in fair value recognized in other comprehensive income.

At the time of sale, or when a financial asset available for sale becomes an investment in a subsidiary as a result of successive purchases, the cumulative gains and losses previously recognized in equity are reversed to the income statement.

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

Impairment of financial assets

At each reporting date, all financial assets classified as loans and receivables (including trade receivables), held to maturity or available for sale, are assessed in order to determine if there is objective evidence that an asset or a group of financial assets is impaired.

An impairment loss is recognized if and only if such evidence exists as a result of one or more events that occurred after initial recognition and that have an impact on the future cash flows of the asset and which can be estimated reliably.

Objective evidence of an impairment loss includes observable data about, for example:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- evidence that the borrower will enter bankruptcy or other form of financial reorganization;
- a measurable decrease in estimated future cash flows.

Losses that are expected to arise as a result of future events are not recognized.

For financial assets classified as loans and receivables or held to maturity, once an impairment loss has been identified, its amount is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate. This amount is recognized in profit or loss. The carrying amount of trade receivable is reduced through use of an allowance account.

If the amount of a past impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment is reversed through profit or loss.

Further factors are considered in case of impairment of available-for-sale equity investments, such as significant adverse changes in the technological, market, economic or legal environment.

A significant or prolonged decline in fair value constitutes objective evidence of impairment and, therefore, the fair value loss previously recognized in other comprehensive income is reclassified from equity to income.

The amount of the cumulative loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss.

An impairment loss on an available-for-sale equity investment cannot be reversed.

If there is objective evidence of impairment for unquoted equity instruments measured at cost because fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current rate of interest for a similar financial asset. Reversal of impairment are not permitted in these cases either.

The amount of the impairment loss on a debt instrument classified as available for sale, to be reclassified from equity, is the cumulative fair value loss recognized in other comprehensive income. Such impairment loss is reversed through profit or loss if the fair value of the debt instrument objectively increases as a result of an event that occurred after the impairment loss was recognized.

Cash and cash equivalents

This category includes deposits that are available on demand or at very short term, as well as highly liquid short-term financial investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

In addition, for the purpose of the consolidated statement of cash flows, cash and cash equivalents do not include bank overdrafts at period-end.

Financial liabilities at amortized cost

This category mainly includes borrowings, trade payables, finance lease obligations and debt instruments.

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

Derivative financial instruments

A derivative is a financial instrument or another contract:

- whose value changes in response to the changes in an underlying variable such as an interest rate, commodity or security price, foreign exchange rate, a price or rate index, a credit rating or other variable;
- that requires no initial net investment, or an initial net investment that is smaller than would be required for a contract with a similar response to changes in market factors;
- that is settled at a future date.

Derivative instruments are classified as financial assets or liabilities depending on whether their fair value is positive or negative and they are classified as “held for trading” and measured at fair value through profit or loss, except for those designated as effective hedging instruments.

For more details about hedge accounting, please see note 44 “Derivatives and hedge accounting”.

All derivatives held for trading are classified as current assets or liabilities.

Derivatives not held for trading purposes but measured at fair value through profit or loss since they do not qualify for hedge accounting and derivatives designated as effective hedging instruments are classified as current or non-current on the basis of their maturity date and the Group's intention to hold the financial instrument until maturity or not.

Embedded derivatives

An embedded derivative is a derivative included in a "combined" contract (the so-called "hybrid instrument") that contains another non-derivative contract (the so-called host contract) and gives rise to some or all of the combined contract's cash flows.

The main Group contracts that may contain embedded derivatives are contracts to buy or sell non-financial items with clauses or options that affect the contract price, volume or maturity.

Such contracts, which do not represent financial instruments to be measured at fair value, are analyzed in order to identify any embedded derivative, which are to be separated and measured at fair value. This analysis is performed when the Group becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows. Embedded derivatives are separated from the host contract and accounted for as derivatives when:

> host contract is not a financial instrument measured at fair value through profit or loss;
> the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
> a separate contract with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are separated from the host contract are recognized in the consolidated financial statements at fair value with changes recognized through profit or loss (except when the embedded derivative is part of a designated hedging relationship).

Contracts to buy or sell non-financial items

In general, contracts to buy or sell non-financial items that are entered into and continue to be held for receipt or delivery, in accordance with the Group's normal expected purchase, sale or usage requirements, do not fall within the scope of IAS 39 and are then recognized in accordance with the accounting treatment of such transactions (the "own use exemption").

Such contracts are recognized as derivatives and, as a consequence, at fair value through profit or loss only if:

> they can be settled net in cash; and
> they are not entered into in accordance with the Group's expected purchase, sale or usage requirements.

A contract to buy or sell non-financial items is classified as a "normal purchase or sale" if it is entered into:

> for the purpose of physical delivery;
> in accordance with the Group's expected purchase, sale or usage requirements.

The Group analyses all contracts to buy or sell non-financial assets, with a specific focus on forward purchases and sales of electricity and energy commodities, in order to determine if they should be classified and treated in accordance with IAS 39 or if they have been entered into for "own use".

Derecognition of financial assets and liabilities

Financial assets are derecognized whenever one of the following conditions is met:

> the contractual right to receive the cash flows associated with the asset expires;
> the Group has transferred substantially all the risks and rewards associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to pay such cash flows to one or more beneficiaries under a contract that meets the requirements established by IAS 39 (the "pass through test");
> the Group has not transferred or retained substantially all the risks and rewards associated with the asset but has transferred control over the asset.

Financial liabilities are derecognized when they are extinguished, i.e. when the contractual obligation has been discharged, cancelled or expired.

Offsetting financial assets and liabilities

The Group offsets financial assets and liabilities when:

> there is a legally enforceable right to set off the recognized amounts; and
> it has the intention of either settling on a net basis, or realizing the asset and settling the liability simultaneously.

Employee benefits

Liabilities related to employee benefits paid upon or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance-sheet date (the projected unit credit method). More specifically, the present value of the defined benefit obligation is calculated by using a discount rate determined on the basis of market yields at the end of the reporting period on high-quality corporate bonds. If there is no deep market for high-quality corporate bonds in the currency in which the bond is denominated, the corresponding yield of government securities is used.

The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

If the value of plan assets exceeds the present value of the related defined benefit obligation, the surplus (up to the limit of any cap) is recognized as an asset.

As regards the liabilities (assets) of defined benefit plans, the cumulative actuarial gains and losses from the actuarial measurement of the liabilities, the return on the plan assets (net of the associated interest income) and the effect of the asset ceiling (net of the associated interest income) are recognized in other comprehensive income when they occur. For other long-term benefits, the related actuarial gains and losses are recognized through profit or loss.

In the event of a change being made to an existing defined benefit plan or the introduction of a new plan, any past service cost is recognized immediately in profit or loss.

Employees are also enrolled in defined contribution plans under which the Group pays fixed contributions to a separate entity (a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Such plans are usually aimed to supplement pension benefits due to employees post-employment. The related costs are recognized in income statement on the basis of the amount of contributions paid in the period.

Termination benefits

Liabilities for benefits due to employees for the early termination of the employment relationship, both as a result of a decision by the Group or an employee's decision to accept voluntary redundancy in exchange for these benefits, are recognized at the earlier of the following dates:

> when the Group can no longer withdraw its offer of benefits; and
> when the Group recognizes a cost for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

The liabilities are measured on the basis of the nature of the employee benefits. More specifically, when the benefits represent an enhancement of other post-employment benefits, the associated liability is measured in accordance with the rules governing that type of benefit. Otherwise, if the termination benefits due to employees are expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for short-term employee benefits; if they are not expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for other long-term employee benefits.

Provisions for risks and charges

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

When the Group expects some or all of the expenditure required to extinguish a liability will be reimbursed by a third party, the reimbursement is recognized as a separate asset if such reimbursement is virtually certain.

Where the liability relates to plant decommissioning and/or site restoration, the initial recognition of the provision is made against the related asset and the expense is then recognized in profit or loss through the depreciation of the asset involved.

Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.

In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), the Group recognizes a provision as the lower of the costs of fulfilling the obligation that exceed the economic benefits expected to be received under the contract and any compensation or penalty arising from failure to fulfil it.

Changes in estimates of accruals to the provision are recognized in the income statement in the period in which the changes occur, with the exception of those in respect of the costs of decommissioning, dismantling and/or restoration resulting from changes in the timetable and costs necessary to extinguish the obligation or from a change in the discount rate. These changes increase or decrease the value of the related assets and are taken to the income statement through depreciation. Where they increase the value of the assets, it is also determined whether the new carrying amount of the assets is fully recoverable. If this is not the case, a loss equal to the unrecoverable amount is recognized in the income statement.

Decreases in estimates are recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.

For more information on the estimation criteria adopted in determining liabilities for plant dismantling and site restoration, especially those associated with nuclear power plants or the storage of waste fuel and other radioactive materials, please see the section on the use of estimates.

Government grants

Government grants, including non-monetary grants at fair value, are recognized where there is reasonable assurance that they will be received and that the Group will comply with all conditions attaching to them as set by the Government, government agencies and similar bodies whether local, national or international.

When loans are provided by Governments at a below-market rate of interest, the benefit is regarded as a government grant. The loan is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying amount of the loan and the funds received. The loan is subsequently measured in accordance with the requirements for financial liabilities.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the costs that the grants are intended to compensate.

Where the Group receives government grants in the form of a transfer of a non-monetary asset for the use of the Group, it accounts for both the grant and the asset at the fair value of the non-monetary asset received at the date of the transfer.

Grants related to long-lived assets, including non-monetary grants at fair value, i.e. those received to purchase, build or otherwise acquire non-current assets (for example, an item of property, plant and equipment or an intangible asset), are recognized on a deferred basis under other liabilities and are credited to profit or loss on a straight-line basis over the useful life of the asset.

Environmental certificates

Some Group companies are affected by national regulations governing green certificates and energy efficiency certificates (so-called white certificates), as well as the European "Emissions Trading System".

In Italy, which had a system of green certificates to encourage renewables generation until last year, since 2016 – in application of a Ministerial Decree of July 6, 2012 – the previous incentive mechanism was replaced by a "feed-in premium". The recognition in the accounts of these changes produced an increase in revenue, which now reports the entire amount of the sales price, including the incentive, and a corresponding decrease in other revenue and income, where amounts associated with the award of green certificates for electricity generated were reported, in accordance with the provisions of the incentive agreement for each plant.

In other countries in which a green certificate system is still in use, green certificates accrued in proportion to electricity generated by renewable energy plants and energy efficiency certificates accrued in proportion to energy savings achieved that have been certified by the competent authority are treated as non-monetary government operating grants and are recognized at fair value, under other revenue and income, with recognition of an asset under other non-financial assets, if the certificates are not yet credited to the ownership account, or under inventories, if the certificates have already been credited to that account. At the time the certificates are credited to the ownership account, they are reclassified from other assets to inventories.

Revenue from the sale of such certificates are recognized under revenue from sales and services, with a corresponding decrease in inventories.

For the purposes of accounting for charges arising from regulatory requirements concerning green certificates, energy efficiency certificates and CO_2 emissions allowances, the Group uses the "net liability approach".

Under this accounting policy, environmental certificates received free of charge and those self-produced as a result of Group's operations that will be used for compliance purposes are recognized at nominal value (nil). In addition, charges incurred for obtaining (in the market or in some other transaction for consideration) any missing certificates to fulfil compliance requirements for the reporting period are recognized through profit or loss on an accruals basis under other operating expenses, as they represent "system charges" consequent upon compliance with a regulatory requirement.

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

This classification criteria is applicable only when non-current assets (or disposal groups) are available in their present condition for immediate sale and the sale is highly probable. If the Group is committed to a sale plan involving loss of control of a subsidiary and the requirements provided for under IFRS 5 are met, all the assets and liabilities of that subsidiary are classified as held for sale when the classification criteria are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

The Group applies these classification criteria as envisaged in IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.

Non-current assets (or disposal groups) and liabilities of disposal groups classified as held for sale are presented separately from other assets and liabilities in the balance sheet.

The amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale are not reclassified or re-presented for prior periods presented.

Immediately before the initial classification of non-current assets (or disposal groups) as held for sale, the carrying amounts of such assets (or disposal groups) are measured in accordance with the IFRS-EU applicable to the specific assets or liabilities. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses for any initial or subsequent writedown of the assets (or disposal groups) to fair value less costs to sell and gains for their reversals are included in profit or loss from continuing operations.

Non-current assets are not depreciated (or amortized) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.

If the classification criteria are no longer met, the Group ceases to classify non-current assets (or disposal group) as held for sale. In that case they are measured at the lower of:

- the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized if the asset (or disposal group) had not been classified as held for sale; and
- the recoverable amount, which is equal to the greater of its fair value net of costs of disposal and its value in use, as calculated at the date of the subsequent decision not to sell.

Any adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group presents, in a separate line item of the income statement, a single amount comprising the total of:

- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

The corresponding amount is re-presented in the income statement for prior periods presented in the financial statements, so that the disclosures relate to all operations that are discontinued by the end of the current reporting period.

If the Group ceases to classify a component as held for sale, the results of the component previously presented in discontinued operations are reclassified and included in income from continuing operations for all periods presented.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account. Therefore, in an agency relationship, the amount collected on behalf of the principal are excluded from revenue.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the Group.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

In arrangements under which the Group will perform multiple revenue-generating activities (a multiple-element arrangement), the recognition criteria are applied to the separately identifiable components of the transaction in order to reflect the substance of the transaction or to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

More specifically, the following criteria are used depending on the type of transaction:

> revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer and their amount can be reliably determined;

> revenue from the sale of electricity and gas is recognized when these commodities are supplied to the customer and regard the quantities provided during the period, even if these have not yet been invoiced. It is determined using estimates as well as periodic meter readings. Where applicable, this revenue is based on the rates and related restrictions established by law or the Authority for Electricity, Gas and the Water System and analogous foreign authorities during the applicable period;

> revenue from the transport of electricity and gas is recognized when the services are rendered to distribution customers even if they have not yet been invoiced. That revenue is determined on the basis of the amounts that have actually transited along the distribution network, net of estimated losses. Where provided for in the specific local regulations, such revenue is adjusted to take account of the restrictions and mandatory rates established by the Authority for Electricity, Gas and the Water System in Italy or the equivalent national organizations in other countries. In particular, in setting restrictions and mandatory rates, each authority covers the costs incurred for investments in the network, the associated remuneration based on an appropriate rate of return on capital and the timing with which those amounts are incorporated in rates. Where the inclusion of the investments in rates, which gives rise to the operator's right to receive the amount, in the year in which they are carried out is already virtually certain they are recognized on an accrual basis, regardless of the financial mechanism used to pay them. These arrangements reflect, for example, the provision of Authority Resolution 654/2015 concerning the definition of the criteria for the new rate period for distribution and metering in force for the regulatory cycle (2016-2023);

> revenue from the rendering of services is recognized by reference to the stage of completion of services at the end of the reporting periods in which the services are rendered. The stage of completion of the transaction is determined based on an assessment of the service rendered as a percentage of the total services to be rendered or as costs incurred as a proportion of the estimated total costs of the transaction. When it is not possible to reliably determine the value of the revenue, it is recognized only to the extent of the expenses recognized that are recoverable;

> revenue associated with construction contracts is recognized as specified in the section "Construction contracts";

> revenue from monetary and in-kind fees for connection to the electricity distribution network is recognized in full upon completion of connection activities if the service supplied is identified. If more than one separately identifiable service is identified, the fair value of the total consideration received or receivable is allocated to each service and the revenue related to the service performed in the period is recognized; in particular, if any ongoing services (electricity distribution services) are identified, the related revenue is generally determined by the terms of the agreement with the customer or, when such an agreement does not specify a period, over a period no longer than the useful life of the transferred asset;

> revenue from rentals and operating leases is recognized on an accruals basis in accordance with the substance of the relevant agreement.

Financial income and expense from derivatives

Financial income and expense from derivatives includes:

> income and expense from derivatives measured at fair value through profit or loss on interest rate and exchange risks;
> income and expense from fair value hedge derivatives on interest rate risk;
> income and expense from cash flow hedge derivatives on interest rate and exchange risks.

Other financial income and expense

For all financial assets and liabilities measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income and expense is recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.
Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured.
Other financial income and expense also includes changes in the fair value of financial instruments other than derivatives.

Income taxes

Current income taxes

Current income taxes for the period, which are recognized under "income tax payable" net of payments on account, or under "tax receivables" where there is a credit balance, are determined using an estimate of taxable income and in conformity with the applicable regulations.
In particular, such payables and receivables are determined using the tax rates and tax laws that are enacted or substantively enacted as at the end of the reporting period.
Current income taxes are recognized in profit or loss with the exception of current income taxes related to items recognized outside profit or loss that are recognized in equity.

Deferred tax items

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are enacted or substantively enacted as at end of the reporting period.
Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.
Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.
The recoverability of deferred tax assets is reviewed at each period-end.
Unrecognized deferred tax assets are re-assessed at each reporting date and they are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
Deferred taxes are recognized in profit or loss, with the exception of those in respect of items recognized outside profit or loss that are recognized in equity.
Deferred tax assets and deferred tax liabilities are offset against current tax liabilities relate to income taxes levied by the same taxation authority that arise at the time of reversal if a legally enforceable right to set-off exists.

Dividends

Dividends are recognized when the unconditional right to receive payment is established.
Dividends and interim dividends payable to a Company's shareholders are recognized as changes in equity in the period in which they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

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Recently issued accounting standards

New accounting standards applied in 2016

The Group adopted the following amendments to existing standards with effect as from January 1, 2016.

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

  The application of amendments did not have an impact on these consolidated financial statements.

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

  The application of amendments did not have an impact on these consolidated financial statements.

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

> "Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment entities: applying the consolidation exception*", issued in December 2014. The amendments clarify that if a parent entity (or intermediate parent) prepares its financial statements in conformity with IFRS 10 (including the case of an investment entity that does not consolidate its investments in subsidiaries but rather measures them at fair value), the exemption from preparing consolidated financial statements is available to the subsidiaries of an investment entity that in turn qualify as investment entities. In addition, the amendments also clarify that a parent entity that qualifies as an investment entity must consolidate a subsidiary that provides services related to the parent's investment activities if the subsidiary is not itself an investment entity. The amendments also simplify application of the equity method for an entity that is not an investment entity but holds an interest in an associate or joint venture that is an investment entity. In particular, when applying the equity method, the entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. The application of amendments did not have an impact on these consolidated financial statements.

> "Amendments to IFRS 11 - *Accounting for acquisitions of interests in joint operations*", issued in May 2014. The amendments clarify the accounting treatment of the acquisition of an interests in a joint operation that is business, pursuant to IFRS 3, requiring the application of

all the accounting rules for business combinations under IFRS 3 and other applicable IFRS with the exception of those standards that conflict with the guidance on IFRS 11. Under the amendments, a joint operator that acquires such interests must measure the identifiable assets and liabilities at fair value; expense acquisition-related costs (with the exception of debt or equity issuance costs); recognize deferred taxes; recognize any goodwill or bargain purchase gain; perform impairment tests for the cash generating units to which goodwill has been allocated; and disclose information required for relevant business combinations.

The application of amendments did not have an impact on these consolidated financial statements.

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

  The application of amendments did not have an impact on these consolidated financial statements.

> "Amendments to IAS 16 and IAS 41 - *Bearer plants*", issued in June 2014. The amendments change the accounting treatment of biological assets that meet the definition of "bearer plants", such as fruit trees, that currently fall within the scope of "IAS 16 - Property, plant and equipment". As a consequence, they will be subject to all of the provisions of that standard. Accordingly, for measurement subsequent to initial recognition, the entity may choose between the cost model and the revaluation model. The agricultural products produced by the bearer plants (e.g. fruit) will remain within the scope of "IAS 41 - Agriculture".

  The application of amendments did not have an impact on these consolidated financial statements.

> "Annual improvements to IFRSs 2010-2012 cycle", issued in December 2013; the document contains formal modifications and clarifications of existing standards that did not have an impact on these consolidated financial statements. More specifically, the following standards were amended:
  - "IFRS 2 - *Share-based payment*"; the amendment separates the definitions of "performance conditions" and "service conditions" from the definition of "vesting conditions" in order to clarify the description of each condition;
  - "IFRS 3 - *Business combinations*"; the amendment clarifies how to classify any contingent consideration agreed in a business combination. Specifically, the amendment establishes that if the contingent consideration does not represent an equity instrument, it shall be classified as a financial asset or liability (within the scope of IAS 39) or as a non-financial asset or liability. In both cases, the contingent consideration shall be measured at fair value and changes in fair value shall be recognized in profit or loss;
  - "IFRS 8 - *Operating segments*"; the amendments introduce new disclosure requirements in order to enable the users of financial statements to understand the judgments adopted by management's in aggregating operating segments and the reasons for such aggregation. The amendments also clarify that the reconciliation of total segment assets and total assets of the entity is required only if provided periodically by management;
  - "IAS 16 - *Property, plant and equipment*"; the amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount of that asset shall be adjusted in a manner consistent with the revaluation of the carrying amount. In addition, it also clarifies that the accumulated depreciation shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses;
  - "IAS 24 - *Related party disclosures*"; the amendment clarifies that a management entity, i.e. an entity providing key management personnel services to an entity, is a related party of that entity. Accordingly, in addition to fees for services paid or payable to the management entity, the entity must report other transactions with the management entity, such as loans, within the disclosures required under IAS 24 for related parties. The amendment also clarifies that if an entity obtains key management personnel services from a management

entity, the entity is not required to disclose the compensation paid or payable by the management entity to those managers;
  - "IAS 38 - *Intangible assets*"; the amendment clarifies that when an intangible asset is revalued, its gross carrying amount shall be adjusted in a manner consistent with the revaluation of the carrying amount. In addition, it also clarifies that the accumulated amortization shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses.

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

> "Annual improvements to IFRSs 2012-2014 cycle", issued in September 2014; the document contains formal modifications and clarifications of existing standards that did not have an impact on these consolidated financial statements. More specifically, the following standards were amended:
  - "IFRS 5 - *Non-current assets held for sale and discontinued operations*"; the amendments clarify that the reclassification of an asset (or disposal group) from held for sale to held for distribution should not be considered as a new plan of sale but rather the continuation of the original plan. Accordingly, the reclassification does not give rise to any interruption in the application of the provisions of IFRS 5 or any change in the date of classification;
  - "IFRS 7 - *Financial instruments: disclosures*"; as regards disclosures to be provided on any continuing involvement in assets that have been transferred and derecognized in their entirety, the amendments clarify that for disclosure purposes, a servicing contract that provides for the payment of a fee can represent a continuing involvement in the transferred asset. The entity must assess the nature of the fee and the servicing contract to determine when disclosure is required. The amendments also clarify that disclosures concerning the offsetting of financial assets and liabilities are not required in condensed interim financial statements;
  - "IAS 19 - *Employee benefits*"; IAS 19 requires that the discount rate used to discount post-employment benefit obligations shall be determined by reference to market yields on high quality corporate bonds or government bonds where there is not deep market in such high quality corporate bonds. The amendment to IAS 19 clarifies that the depth of the market in high quality corporate bonds must be assessed on the basis of the currency in which the bond is denominated and not the currency of the country in which the bond is issued. If there is no deep market in high quality corporate bonds in that currency, the corresponding market yield on government bonds shall be used;
  - "IAS 34 - *Interim financial reporting*"; the amendment establishes that the required disclosures for interim financial reports shall be provided in the interim financial statements or cross-referenced in the interim financial statements by way of a reference to another statement (e.g. a management risk report) that is available on the same terms and at the same time to users of the interim financial statements.

Accounting standards taking effect at a future date

The following new standards, amendments and interpretations take effect after December 31, 2016.

> "IFRS 9 - *Financial instruments*", the final version was issued on July 24, 2014, replacing the existing "IAS 39 - Financial instruments: recognition and measurement" and supersedes all previous versions of the new standard. The standard will take effect as from January 1, 2018 and early application will be permitted.

  The final version of IFRS 9 incorporates the results of the three phases of the project to replace IAS 39 concerning classification and measurement, impairment and hedge accounting.

  As regards the classification of financial instruments, IFRS 9 provides for a single approach for all types of financial asset, including those containing embedded derivatives, under which financial assets are classified in their entirety, without the application of complex subdivision methods.

  In order to determine how financial assets should be classified and measured, consideration must be given to the business model used to manage its financial assets and the characteristics of the contractual cash flows. In this regard, a business model is the manner in which an entity manages its financial assets in order to generate cash flows, i.e. collecting contractual cash flows, selling the financial assets or both.

  Financial assets are measured at amortized cost if they are held in a business model whose objective is to collect contractual cash flows and are measured at fair value through other comprehensive income (FVTOCI) if they are held with the objective of both collecting contractual cash flows and selling the assets. This category enables the recognition of interest calculated using the amortized cost method through profit or loss and the fair value of the financial asset through OCI.

Financial assets at fair value through profit or loss (FVTPL) is now a residual category that comprises financial instruments that are not held under one of the two business models indicated above, including those held for trading and those managed on the basis of their fair value.

As regards the classification and measurement of financial liabilities, IFRS 9 maintains the accounting treatment envisaged in IAS 39, making limited amendments, for which most of such liabilities are measured at amortized cost. It is still permitted to designate a financial liability as at fair value through profit or loss if certain requirements are met.

The standard introduces new provisions for financial liabilities designated as fair value through profit or loss, under which in certain circumstances the portion of changes in fair value due to own credit risk shall be recognized through OCI rather than profit or loss. This part of the standard may be applied early, without having to apply the entire standard.

Since during the financial crisis the impairment approach based on "incurred credit losses" had displayed clear limitations connected with the deferral of the recognition of credit losses until the occurrence of a trigger event, the standard proposes a new model that gives users of financial statements more information on "expected credit losses".

In essence the model provides for:

a) the application of a single approach for all financial assets;
b) the recognition of expected credit losses on an ongoing basis and the updating of the amount of such losses at the end of each reporting period, with a view to reflecting changes in the credit risk of the financial instrument;
c) the measurement of expected losses on the basis of reasonable information, obtainable without undue cost, about past events, current conditions and forecasts of future conditions;
d) an improvement of disclosures on expected losses and credit risk.

IFRS 9 also introduces a new approach to hedge accounting, with the aim of aligning hedge accounting more closely with risk management, establishing a more principle-based approach.

The new hedge accounting approach will enable entities to reflect their risk management activities in the financial statements, extending the criteria for eligibility as hedged items to the risk components of non-financial elements, to net positions, to layer components and to aggregate exposures (i.e. a combination of a non-derivative exposure and a derivative). The most significant changes regarding hedging instruments compared with the hedge accounting approach used in IAS 39 involve the possibility of deferring the time value of an option, the forward element of forward contracts and currency basis spreads (i.e. "hedging costs") in OCI up until the time in which the hedged element impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall with a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.

Finally, IFRS 9 does not replace the provisions of IAS 39 concerning portfolio fair value hedge accounting for interest rate risk ("macro hedge accounting") as that phase of the IAS 39 replacement project has been separated and is still under discussion. In April 2014, the IASB published a Discussion Paper Accounting for Dynamic Risk management: a Portfolio Revaluation Approach to Macro Hedging.

In 2016 a transition project involving the three areas of application of the new standard was begun. The individual project areas address the following aspects:

a) "Classification and Measurement": an assessment of the current procedures for classifying financial instruments compared with the new policies provided for under IFRS 9 (i.e. SPPI test and business model). In addition, the project activities also include the analysis of contracts that could be measured at fair value, as the contractual cash flows might not be composed solely of payments of principal and interest, and of minority interests in unlisted companies which under IAS 39 are subject to the cost exemption while under IFRS 9 they would be measured at fair value, in order to identify appropriate valuation models;
b) "Impairment": analysis is under way of impaired financial assets, with a focus on trade receivables, which represent the majority of the Group's credit exposure. More specifically, those receivables have been sub-divided into specific clusters, taking due

account of the applicable legislative and regulatory framework. Depending on the case, appropriate impairment models are being analyzed in application of the loss-rate approach or the general expected credit losses model;

c) "Hedge Accounting": work on implementing the new hedge accounting model is under way, including effectiveness testing and rebalancing hedge relationships and analysis of the new strategies that can be applied under IFRS 9.

At the current stage of analysis it is not possible to provide a reasonable estimate of the possible impact of the new standard.

> "IFRS 14 - *Regulatory deferral accounts*", issued in January 2014. The standard allows first-time adopters to continue to recognize rate-regulated amounts recognized under their previous GAAP at first-time adoption of the International Financial Reporting Standards. The standard may not be adopted by entities that already prepare their financial statements in accordance with the IFRS/IAS. In other words, an entity may not recognize rate-regulated assets and liabilities under IFRS 14 if its current GAAP do not permit such recognition or if the entity has not adopted such accounting treatment as permitted under its current GAAP. The European Commission has decided not to begin the endorsement process for this standard but to instead await the finalization of the broader project involving rate-regulated activities.

> "IFRS 15 - *Revenue from contracts with customers*", issued in May 2014, including "Amendments of IFRS 15: effective date of IFRS 15", issued in September 2015. The new standard will replace "IAS 11 - Construction contracts", "IAS 18 - Revenue", "IFRIC 13 - Customer loyalty programmes", "IFRIC 15 - Agreements for the construction of real estate", "IFRIC 18 - Transfers of assets from customers" and "SIC 31 - Revenue - Barter transactions involving advertising services" and will apply to all contracts with customers, with a number of exceptions (for example, lease and insurance contracts, financial instruments, etc.). The new standard establishes a general framework for the recognition and measurement of revenue based on the following fundamental principle: the recognition of revenue in a manner that faithfully depicts the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The fundamental principle will be applied on the basis of five key phases (steps): the entity must identify the contract with the customer (step 1); it must identify the performance obligations in the contract, recognizing separable goods or services as separate obligations (step 2); the entity must then determine the transaction price, which is represented by the consideration that it expects to obtain (step 3); the entity must then allocate the transaction price to the individual obligations identified in the contract on the basis of the individual price of each separable good or service (step 4); revenue is recognized when (or if) each individual performance obligation is satisfied through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service (step 5).

IFRS 15 also provides for a series of notes to ensure complete disclosure concerning the nature, amount, timing and degree of uncertainty of the revenue and cash flows associated with contracts with customers.

The standard shall take effect, subject to endorsement, for periods beginning on or after January 1, 2018.

A project was initiated in 2016 to identify the possible impact of the standard on the Group's consolidated financial statements. At the current stage of analysis, which is still under way, the most significant aspects that we feel will be affected by the new provisions of IFRS 15 regard: (i) identification of the contractual obligations; (ii) contracts with multiple contractual obligations; (iii) contracts with variable consideration and the timing of recognition; (iv) contracts in which a third party is involved in supplying goods/services to customers, distinguishing between cases in which the Group (or the counterparty) is acting as a principal or as an agent; (v) the capitalization of contract acquisition costs and the performance of contracts with customers; and (vi) the disclosure to provide in order to comply with the standard.

At the current stage of analysis it is not possible to provide a reasonable estimate of the possible impact of the new standard.

During the analysis process, the Group may also define the procedures for the first-time application of the standard.

> "Clarification to IFRS 15 - *Revenue from contracts with customers*", issued in April 2016, introduces amendments of the standard in order to clarify a number of practical expedients and topics addressed by the Joint Transition Resource Group established by the IASB and the FASB. The aim of these amendments is to clarify a number of provisions of IFRS 15 without modifying the basic principles of the standard. The amendments shall take effect, subject to endorsement, for periods beginning on or after January 1, 2018.

- “IFRS 16 - *Leases*”, issued in January 2016, replaces the previous standard governing leases, IAS 17, and the associated interpretations. It establishes the criteria for the recognition, measurement and presentation of leases for both the lessor and the lessee and the associated disclosures. Although IFRS 16 does not modify the definition of a lease contract set out in IAS 17, the main change is represented by the introduction of the concept of control within that definition. More specifically, in order to determine whether a contract represents a lease, IFRS 16 requires the lessee to determine whether it has the right to control the use of a given assets for a specified period of time. IFRS 16 eliminates the distinction between operating and finance leases, as required under IAS 17, introducing a single method for recognizing all leases. Under the new approach, the lessee must recognize:
  a) in the balance sheet, the assets and liabilities in respect of all leases with a term of more than 12 months, unless the underlying asset is of low value; and
  b) in the income statement, the depreciation of the assets involved in the lease contract separately from the interest connected with the associated liabilities.

  For lessors, IFRS 16 essentially retains the recognition requirements provided for under IAS 17. Accordingly, the lessor shall continue to classify and recognize leases as operating or finance leases. The standard will apply, subject to endorsement, for periods beginning on or after January 1, 2019. The Group is assessing the potential impact of the future application of the standard.
- “Amendments to IAS 7 - *Disclosure Initiative*”, issued in January 2016. The amendments apply to liabilities and assets arising from financing activities, which are defined as liabilities and assets for which cash flows were, or will be, classified in the statement of cash flows as “cash flows from financing activities”. The amendments require disclosure of changes in such liabilities/assets, distinguishing between cash flow changes and non-cash variations (i.e. variations arising from the effect of changes in foreign exchange rates and changes in fair values). The IASB suggests providing such disclosure in a reconciliation between the opening and closing balances for the period for such liabilities/assets. The amendments will take effect for periods beginning on or after January 1, 2017. The Group does not expect the future application of the amendments to have an impact.
- “Amendments to IAS 12 - *Recognition of deferred tax assets for unrealised losses*”, issued in January 2016. The amendments clarify the recognition of deferred tax assets in respect of debt instruments measured at fair value. More specifically, the amendments clarify the requirements for recognizing deferred tax assets for unrealized losses in order to eliminate differences in accounting treatment. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2017. Early application is permitted. The Group is assessing the potential impact of the future application of the amended standard.
- “Amendments to IFRS 10 and IAS 28 - *Sale or contribution of assets between an investor and its associate or joint venture*”, issued in September 2014. The amendments establish that in the case of the sale or contribution of assets to a joint venture or an associate, or the sale of an interest that gives rise to a loss of control while maintaining joint control or significant influence over the associate or joint venture, the amount of the gain or loss recognized shall depend on which the assets or interest constitute a business in accordance with “IFRS 3 - Business combinations”. More specifically, if the assets/interest constitute a business, any gain (loss) shall be recognized in full; if the assets/interest does not constitute a business, any gain (loss) shall only be recognized to the extent of the unrelated investors’ interests in the associate or joint venture, who represent the counterparties in the transaction. The EFRAG has recommended that the European Commission postpone endorsement of the amendments until the IASB completes its project on the elimination of gains and losses on transactions between an entity and its associates or joint ventures.
- “Amendments to IFRS 2 - *Classification and measurement of share-based payment transactions*”, issued in June 2016. The amendments:
  - clarify that the fair value of a share-based transaction settled in cash at the measurement date (i.e. at the grant date, at the close of each accounting period and at the settlement date) shall be calculated by taking account of market conditions (e.g. a target price for the shares) and non-vesting conditions, ignoring service conditions and performance conditions other than market conditions;
  - clarify that share-based payments with net settlement for withholding tax obligations should be classified in their entirety as equity-settled transactions (if they would be so classified in the absence of the net settlement feature);
  - establish provisions for the accounting treatment of changes in terms and conditions that result in a change in the classification of the transaction from cash-settled to equity-settled.

The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> "Amendments to IFRS 4 - *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*", issued in September 2016. The amendments:
  - permit insurers whose activities are predominantly connected with insurance to postpone the application of IFRS 9 until 2021 ("temporary exemption"); and
  - permits insurers, until the future issue of the new accounting standard for insurance contracts, to recognize the volatility that should be caused by the application of IFRS 9 in other comprehensive income rather than through profit or loss (the "overlay approach").

  The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> "IFRIC 22 - *Foreign currency transactions and advance consideration*", issued in December 2016; the interpretation clarifies that, for the purpose of determining the exchange rate to be used in the initial recognition of an asset, expense or income (or part of it) the date of the transaction is that on which the entity recognizes any non-monetary asset (liability) in respect of advance consideration paid (received). If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> "Amendments to IAS 40 - *Transfers of investment property*", issued in December 2016; the amendments clarify that transfers of property to or from investment property shall be permitted only when there is a change in use supported by evidence of that change. A change in management's intentions does not in itself provide evidence of a change in use sufficient to support the transfer. The amendments broadened the examples of changes of use to include property under construction or development and not just the transfer of completed properties. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> "Annual improvements to IFRSs 2014-2016 cycle", issued in December 2016; the document contains formal modifications and clarifications of existing standards that are not expected to have a significant impact on the Group. More specifically, the following standards were amended:
  - "IFRS 1 - *First-time adoption of International Financial Reporting Standards*"; the amendments eliminated the "short-term exemptions from IFRSs" regarding the transition to IFRS 7, IAS 19 and IFRS 10. These transition provisions were only available for past reporting periods and are therefore now no longer applicable. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018;
  - "IFRS 12 - *Disclosure of interests in other entities*"; the amendments clarify that the provisions governing disclosure under IFRS 12, with the exception of summarized financial information, also apply to interests in entities classified as held for sale. Prior to the amendments, it was not clear whether the provisions of IFRS 12 were applicable to such interests. The amendments will apply retrospectively, subject to endorsement, for periods beginning on or after January 1, 2017;
  - "IAS 28 - *Investments in associates and joint ventures*"; the amendments clarify that, regarding the option available to a venture capital organization (or a mutual fund, unit trust and similar entities, including investment-linked insurance funds) to measure an investment in an associate or joint venture at fair value through profit or loss, those entities shall make this election at initial recognition separately for each associate or joint venture. Similar clarifications were made for entities that are not investment entities and that, when they apply the equity method, elect to retain the fair value measurement applied by the investment entities that represent their interests in associates or joint ventures. The amendments will apply retrospectively, subject to endorsement, for periods beginning on or after January 1, 2018.

4

Restatement of comparative disclosures

As from the close of the period at September 30, 2016, the new organizational model of the Enel Group can be 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 main changes in the organizational model include the integration of the various companies belonging to the Enel Green Power Group in the various Divisions by geographical area, functionally including the large hydro activities that are still formally operated by the thermal generation companies, and a new definition of the geographical areas (Italy, Iberia, Europe and North Africa, Latin America, North and Central America, Sub-Saharan Africa and Asia, Central/Parent Company). The new business structure is also broken down as follows: Thermal Generation and Trading, Infrastructure and Networks, Renewables, Retail, Services and Parent Company. Accordingly, the new matric structure is organized into the following Divisions (Global Thermal Generation, Global Infrastructure and Networks, Renewable Energy and Global Trading) and Regions and Countries (Italy, Iberia, Europe and North Africa, Latin America, North and Central America, Sub-Saharan Africa and Asia), and will, from this year, also represent the basis of planning, reporting and assessment of the financial performance of the Group, both internally by top management and in relations with the financial community.

In view of these developments, it has also become necessary to review disclosures under "IFRS 8 - Operating segments", as reported in note 6 below, which have also been supplemented with restated comparative figures to ensure full comparability.

In addition, the structure of "cash flow from operating activities" in the consolidated statement of cash flows, which has maintained its overall value unchanged, underwent structural modifications in order to improve the presentation of events, which involved the restatement of items for 2015 in order to improve comparability.

5

Main changes in the scope of consolidation

In the two periods under review, the scope of consolidation changed as a result of a number of transaction.

2015

- Acquisition, on March 6, 2015, of the share not previously held by the Group, amounting to 66.7%, of **3Sun**, a photovoltaic firm. Through this acquisition, the Group obtained control of the company, which is now consolidated on a line-by-line basis;
- acquisition, on September 24, 2015, acting through the subsidiary Enel Green Power, of a controlling interest of 68% in **BLP Energy**, a company operating in the renewables sector in India;
- acquisition, in September 2015, of the remaining 60% of the **ENEOP Group**, identified in a split agreement with the other participants in the venture, with the acquisition being settled with the concomitant transfer of the 40% that Enel Green Power held in the other two portfolios transferred to the other partners in the consortium;
- disposal, on November 26, 2015, of the **ENEOP Group** and other Portuguese companies in which Enel Green Power held an interest;
- full consolidation, following changes in shareholders' agreements, in December 2015, of **Osage Wind**, a company 50% held by Enel Green Power North America, previously accounted for using the equity method;
- acquisition of a controlling interest of 78.6% in **Erdwärme Oberland**, a company specialized in the development of geothermal projects in Germany;
- contribution, on December 31, 2015, of the former wholly-owned subsidiaries Altomonte, Enel Green Power San Gillio and Enel Green Power Strambino Solar to an equally held joint venture (**Ultor**) with the fund F2i accounted for using the equity method.

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

- disposal, on March 31, 2015, of 49% of **EGPNA Renewable Energy Partners**, an electricity generation company in the United States. Since the Group has maintained control of the company, the transaction is one involving a non-controlling interest;
- acquisition, on April 8, 2015, of the remaining 49% of **Energia Eolica**, a wind generation company operating in Italy in which the Group already held an interest of 51%.

2016

- Disposal, completed in early March 2016, of **Compostilla Re**, which at December 31, 2015 had been classified as "held for sale". The sale price was €101 million (the company also held liquid assets of about €111 million) and generated a gain of about €19 million;
- disposal, on May 1, 2016, of 65% of **Drift Sand Wind Project**, a company operating in the wind generation sector in the United States. The sale price was €72 million and generated a gain of about €2 million and a remeasurement at fair value of the remaining 35% of about €4 million;
- disposal, completed on July 13, 2016, of **Enel Longanesi**, which held the Italian assets (composed of 21 applications for onshore and offshore exploration permits and exploration permits) in the upstream gas sector. The maximum sales price is €30 million, of which about €7 million were collected immediately, while the right to receive the remainder (in multiple tranches) is subject to a number of conditions, such as the start of production at the Longanesi gas field in Emilia Romagna, scheduled for 2019, and price developments in the gas market. No capital losses were recognized through profit or loss given that its value had already be adjusted to estimated realizable value;
- disposal, on July 28, 2016, of 50% of **Slovak Power Holding** ("SPH"), which in turn holds 66% of **Slovenské elektrárne** ("SE"). More specifically, Enel Produzione finalized the disposal to EP Slovakia, a subsidiary of Energetický a průmyslový holding ("EPH"), of 50% of SPH in execution of the contract agreed on December 18, 2015 between Enel Produzione and EP Slovakia. The total price for the two phases, equal to €750 million (of which €150 million paid immediately in cash), is subject to a price adjustment mechanism, which will be calculated by independent experts and applied at the closing of the second phase on the basis of a number of parameters, including the evolution of the net financial position of SE, developments in energy prices in the Slovakian market, the operating efficiency of SE measured on the basis of benchmarks defined in the contract and the enterprise value of Mochovce units 3 and 4. Accordingly, the financial receivable generated by the disposal is measured at fair value through profit or loss. The same parameters described above were used in determining the recoverable value of the interest in the SPH joint venture;
- acquisition of control, on October 1, 2016, of **Distribuidora Eléctrica de Cundinamarca** ("DEC"), previously accounted for using the equity method, through the merger of DEC into Codensa (which had already held 49%); for more details, please see note 5.1 below;
- loss of control, on November 21, 2016, following changes in governance arrangements and the disposal of an interest of 1%, for €12 million, of **EGPNA Renewable Energy Partners** ("EGPNA REP"), a developer of renewables generation projects in the United States. As from that date, it has been accounted for using the equity method. The transaction involved the recognition of a gain of €2 million and the recognition of income from remeasurement at fair value of the 50% still held by EGPNA of €95 million;
- disposal, on November 30, 2016, of 100% of **Enel France**, a thermal generation company in France at a price of about zero, generating a loss of €4 million;
- loss of control, on December 20, 2016, of **Enel OpEn Fiber** (now OpEn Fiber - OF) following a capital increase by Enel and CDP Equity ("CDPE"), after which Enel and CDPE hold an equal stake in OF, which is therefore accounted for as from that date using the equity method;
- disposal, on December 28, 2016, of the **Cimarron** and **Lindahl** wind farms to the EGPNA REP joint venture, the starting point of a new industrial growth strategy founded on a less capital-intensive "Build, Sell and Operate";
- virgolette graziate approach intended to accelerate the development of project pipelines at the global level. The loss of control generated a gain of €37 million;
- disposal, on December 30, 2016, of 100% of **Marcinelle Energie**, a thermal generation company in Belgium, for a total of €36,5 million, all of which has been paid. During 2016, the net asset value of Marcinelle was adjusted to its estimated realizable value with the recognition of an impairment loss of €51 million. The sales price is subject to customer price adjustments that include an earn-out clause.

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

- disposal, on February 29, 2016, of the remaining interest in **Hydro Dolomiti Enel**, a company operating in the hydroelectric generation sector in Italy. The sales price was initially estimated at €335 million. Subsequently, following specification of a price adjustment (a negative €22 million) in application of the contractual price formula up-

dated on the basis of the final disposal accounts, a capital gain of €124 million was recognized;
- on March 31, 2016, the non-proportional demerger of **Enel Green Power** took effect, following which – with a capital increase by Enel SpA as part of the demerger – the Group increased its stake in the company from 68.29% to 100%, with the consequent reduction of non-controlling interests; for more information, please see note 5.2 below;
- on May 3, 2016, Enel Green Power acquired the remaining 40% of **Maicor Wind**, a company operating in the wind generation sector in Italy, thus becoming its sole shareholder;
- on July 27, 2016, Enel Green Power International, a wholly-owned subsidiary of Enel, sold 60% of **Enel Green Power España** ("EGPE") to Endesa Generación, a wholly-owned subsidiary of Endesa, which as it already held the other 40% of EGPE became its sole shareholder. In the consolidated financial statements, the transaction produced a decrease in the interest pertaining to the Group (from 88.04% to 70.10%) in the results of EGPE as from the time the operation took effect;
- merger, on December 1, 2016, into **Enel Américas** of Endesa Américas and Chilectra Américas, companies created with the demerger of Enersis, Endesa Chile and Chilectra. As the combined effect of exchange ratios between shares and the exercise of the right of withdrawal by some shareholders of the companies involved in the transaction, the percentage interest in the companies held directly or indirectly by Enel Américas changed. For more information, please see note 5.3 below.

5.1 Acquisition of control of Distribuidora Eléctrica de Cundinamarca

On October 1, 2016, the Codensa subsidiaries Distribuidora Eléctrica de Cundinamarca SA ("DEC") and Empresa de Energía de Cundinamarca ("EEC") were merged into Codensa itself. More specifically, the merger was carried out with no monetary impact by way of the exchange of newly issued Codensa shares (equal to 1.25% of share capital, with a fair value of €25 million) with DEC and EEC shares. The following table reports the effects of the transaction at the consolidated level, which involved a negative remeasurement at fair value of the interests held previously in DEC and EEC of €10 million and the recognition of negative goodwill from the business combination of €4 million.

Effects of the transaction

Millions of euro	
Property, plant and equipment	125
Trade receivables	19
Cash and cash equivalents	8
Borrowings	(38)
Employee benefits	(27)
Provisions for risks and charges	(11)
Trade payables	(19)
Other net liabilities	(4)
Non-controlling interests	(29)
Fair value of net assets corresponding to interest held previously	**24**
Carrying amount of book interest held previously	**34**
Remeasurement to fair value of the interest prior to acquisition of control	**(10)**

Millions of euro	
Fair value of interest held previously	24
Fair value of newly issued Codensa shares	25
Cost of the acquisition	**49**
Fair value of net assets acquired	**53**
Negative goodwill	**4**

5.2 Enel Green Power integration

Following the execution of the instrument of demerger on March 25, 2016, which took effect at the last moment of March 31, 2016, the partial, non-proportional demerger of Enel Green Power SpA ("EGP") to Enel was completed. The operation involved:

> the assignment by EGP to Enel of the demerged assets represented by the 100% stake held by EGP in Enel Green Power International, a Dutch holding company that holds investments in nearly all companies operating in the renewable energy sector abroad, and all the assets, liabilities, contracts and other legal relationships associated with that investment; and

> the retention by EGP of all remaining assets and liabilities other than those that are part of the demerged assets indicated above (and thus, essentially, all Italian operations and a small number of remaining foreign investments).

Since the transaction involved a non-proportional demerger:

> shareholders of EGP other than Enel exchanged all the shares they hold in EGP with Enel shares at an exchange ratio of 0.486 Enel shares for each EGP share; and

> Enel exchanged the shares corresponding to its stake in the demerged assets with Enel shares, which were immediately cancelled in accordance with Article 2504-*ter*, paragraph 2, and Article 2506-*ter*, paragraph 5, of the Italian Civil Code.

At the consolidated level, the operation therefore involved:

> an increase of €764 million in the share capital of Enel SpA (which at March 31, 2016 was therefore equal to €10,166,679,946, represented by the same number of ordinary shares with a par value of €1 each), following the issue of shares as part of the demerger;

> an increase in the share premium reserve of €2,212 million, reflecting the value of the shares issued as part of the demerger;

> a reclassification of €80 million from non-controlling interests to a Group equity reserve to reflect the increase in the investment in EGP from 68.29% to 100%;

> a reduction of non-controlling interests in respect of the financial outlay incurred to redeem the shares of former EGP shareholders who exercised the right of withdrawal (€27 million);

> the recognition, directly in equity as a reduction in the share premium reserve, of transaction costs (€14 million net of tax effects).

Effects of the transaction

Millions of euro	
Increase in share capital	764
Increase in share premium reserve	2,212
Cash payment following exercise of the right of withdrawal	27
Cost of the acquisition	**3,003**
Non-controlling interests acquired (1)	**(2,026)**
Reserve from transactions in non-controlling interests	(977)

(1) Does not include portion under other comprehensive income in the amount of €80 million.

5.3 Corporate reorganization in Latin America

During 2016, the ownership structure of the companies previously belonging to the Enersis Group underwent a far-reaching reorganization with a view to separating assets in Chile from those in the other Latin American countries. The first step in the reorganization – in March 2016 – involved the split of Enersis into two companies (Enersis Chile – now Enel Chile – and Enersis Américas – now Enel Américas), with an analogous process for the subsidiaries Endesa Chile and Chilectra.

At the extraordinary shareholders' meeting of September 28, 2016, shareholders of Enersis Américas, Endesa Américas and Chilectra Américas approved, with more than two thirds of voting shares of each of the entities, the merger of the three companies.

On September 14, 2016, Enersis Américas initiated a tender offer for all shares issued by Endesa Américas and a tender offer for the American Depository Shares ("ADS"). The offer closed – once all conditions had been met – on October 28, 2016, increasing the interest in Endesa Américas by 3.23%, with a cash outlay of €140 million.

Following the merger, which took place on December 1, 2016, and taking account of the effects of the above tender offer, the Group's interest in all of the companies were changed, prompting a reclassification between Group equity and non-controlling interests.

6

Segment information

The representation of performance and financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods being compared.

For more information on performance and financial developments during the year, please see the dedicated section in the report on operations.

Segment information for 2016 and 2015

Results for 2016 (1)

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Revenue from third parties	36,081	18,831	10,739	3,618	1,122	29	172	70,592
Revenue from transactions with other segments	876	122	29	180	3	-	(1,210)	-
Total revenue	**36,957**	**18,953**	**10,768**	**3,798**	**1,125**	**29**	**(1,038)**	**70,592**
Total costs	30,012	15,522	7,221	3,030	291	15	(908)	55,183
Net income/(expense) from commodity contracts measured at fair value	(266)	131	9	(6)	(1)	-	-	(133)
Depreciation and amortization	1,698	1,677	952	246	249	12	56	4,890
Impairment losses	596	359	442	248	19	7	55	1,726
Reversals of impairment losses	(2)	(240)	(1)	(18)	-	-	-	(261)
Operating income	**4,387**	**1,766**	**2,163**	**286**	**565**	**(5)**	**(241)**	**8,921**
Capital expenditure	**1,883**	**1,147**	**3,069**	**265** (2)	**1,832**	**304**	**52** (3)	**8,552**

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(3) Does not include €283 million regarding units classified as "held for sale".
(4) Does not include €7 million regarding units classified as "held for sale".

Results for 2015 restated (1)

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Revenue from third parties	39,252	20,021	10,818	4,645	879	18	25	75,658
Revenue from transactions with other segments	1,475	463	10	345	3	-	(2,296)	-
Total revenue	**40,727**	**20,484**	**10,828**	**4,990**	**882**	**18**	**(2,271)**	**75,658**
Total costs	33,996	17,132	7,518	3,522	305	11	(1,955)	60,529
Net income/(expense) from commodity contracts measured at fair value	185	1	(4)	(17)	(2)	-	5	168
Depreciation and amortization	1,699	1,679	935	334	202	2	36	4,887
Impairment losses	629	422	69	1,700	35	1	122	2,978
Reversals of impairment losses	-	(221)	(18)	(14)	-	-	-	(253)
Operating income	**4,588**	**1,473**	**2,320**	**(569)**	**338**	**4**	**(469)**	**7,685**
Capital expenditure	**1,843** (2)	**1,001**	**2,937**	**249** (3)	**720**	**311**	**52**	**7,113**

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €1 million regarding units classified as "held for sale".
(3) Does not include €648 million regarding units classified as "held for sale".

Financial position by segment

At December 31, 2016

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Property, plant and equipment	25,981	24,174	17,411	3,048	4,831	780	46	76,271
Intangible assets	1,314	15,671	11,045	743	633	113	(34)	29,485
Trade receivables	9,429	2,243	1,835	317	111	18	(447)	13,506
Other	3,409	1,461	515	179	41	2	(134)	5,473
Operating assets	**40,133** (1)	**43,549**	**30,806**	**4,287**	**5,616** (2)	**913**	**(569)**	**124,735**
Trade payables	7,606	2,155	2,433	374	493	23	(396)	12,688
Sundry provisions	3,077	4,096	1,039	127	25	18	617	8,999
Other	7,125	3,042	1,850	305	210	54	340	12,926
Operating liabilities	**17,808**	**9,293**	**5,322**	**806**	**728**	**95**	**561**	**34,613**

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

At December 31, 2015 restated

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

(1) Of which €4,231 million regarding units classified as "held for sale".
(2) Of which €2,331 million regarding units classified as "held for sale".

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

Millions of euro

	at December 31, 2016	at December 31, 2015
Total assets	**155,596**	**161,179**
Equity investments accounted for using the equity method	1,558	607
Other non-current financial assets	3,892	3,274
Long-term tax receivables included in "Other non-current assets"	301	463
Other current financial assets	3,053	2,381
Derivatives	5,554	7,416
Cash and cash equivalents	8,290	10,639
Deferred tax assets	6,665	7,386
Income tax receivables	879	636
Long-term tax receivables included in "Other current assets"	664	706
Financial and tax assets of "Assets held for sale"	5	2,621
Segment assets	**124,735**	**125,050**
Total liabilities	**103,021**	**109,428**
Long-term borrowings	41,336	44,872
Short-term borrowings	5,372	2,155
Current portion of long-term borrowings	4,384	5,733
Other current financial liabilities	1,264	1,063
Derivatives	5,854	7,027
Deferred tax liabilities	8,768	8,977
Income tax payable	359	585
Other tax payables	1,071	990
Financial and tax liabilities included in disposal groups classified as "held for sale"	-	3,033
Segment liabilities	**34,613**	**34,993**

Revenue

7.a Revenue from sales and services - *€68,604 million*

Millions of euro

	2016	2015	Change	
Revenue from the sale of electricity	42,337	46,638	(4,301)	-9.2%
Revenue from the transport of electricity	9,587	9,911	(324)	-3.3%
Fees from network operators	557	826	(269)	-32.6%
Transfers from institutional market operators	1,462	1,152	310	26.9%
Revenue from the sale of gas	3,876	4,045	(169)	-4.2%
Revenue from the transport of gas	563	509	54	10.6%
Revenue from fuel sales	7,028	7,104	(76)	-1.1%
Connection fees to electricity and gas networks	814	829	(15)	-1.8%
Revenue from the sale of environmental certificates	560	343	217	63.3%
Revenue from other sales and services	1,820	1,719	101	5.9%
Total	**68,604**	**73,076**	**(4,472)**	**-6.1%**

In 2016, "revenue from the sale of electricity" came to €42,337 million (€46,638 million in 2015), including €29,101 million in revenue from electricity sales to end users (€29,994 million in 2015), €11,009 million in revenue from wholesale electricity sales (€13,355 million in 2015), and €2,227 million in revenue from the trading of electricity (€3,289 million in 2015). The decrease was mainly due to a general reduction in volumes generated and transported in an environment of declining average sales prices and was heavily influenced by the deconsolidation of Slovenské elektrárne.

"Revenue from the transport of electricity" totaled €9,587 million in 2016, a decrease of €324 million, which was particularly concentrated in Italy where the effect of volume increases was more than offset by a reduction in distribution rates (under the provisions of Resolution 654/2015 of the Authority for Electricity, Gas and the Water System concerning the regulation of electricity transmission, distribution and metering rates for the 2016-2023 regulatory period) and by the further negative effect of greater revenue recognized in 2015 as a result of changes to the regulatory lag established with the above resolution.

In 2016, revenue related to "transfers from institutional market operators" came to €1,462 million, up €310 million compared with the previous year. The increase can be attributed to the increase in incentives received as "feed-in premiums" (formerly green certificates) of the renewable energy companies in Italy following replacement of the green-certificate incentives mechanism under a Ministerial Decree of July 6, 2012.

"Revenue from the sale of gas" in 2016 came to €3,876 million (€4,045 million in 2015), decreasing by €169 million, due essentially to reduced revenue in the Iberian Peninsula as a result, in particular, of lower unit prices compared with the rates applied in 2015.

"Revenue from the transport of gas" totaled €563 million, increasing by €54 million (+10.6%) due above all to the greater quantities transported in Italy.

"Revenue from fuel sales" in 2016 amounted to €7,028 million, including €6,953 million for the sale of gas (€7,053 million in 2015) and €75 million for the sale of other fuels (€51 million in 2015). The decrease for the year was due to lower average prices.
Finally, "revenue from the sale of environmental certificates" increased by €217 million, largely due to an increase in sales of environmental certificates and CO_2 emissions allowances.

The table below gives a breakdown of revenue from sales and services by geographical area.

Millions of euro

	2016	2015
Italy	27,516	28,705
Europe		
Spain	17,097	18,261
Portugal	856	914
France	1,001	1,439
Switzerland	367	362
Germany	1,880	2,556
Austria	10	20
Slovenia	29	26
Slovakia	660	1,240
Romania	996	1,031
Greece	60	64
Bulgaria	9	9
Belgium	416	365
Czech Republic	382	679
Hungary	335	356
Russia	961	1,022
Netherlands	3,554	3,414
United Kingdom	1,008	1,214
Other European countries	144	67
Americas		
United States	367	463
Canada	-	11
Mexico	144	166
Brazil	2,536	2,864
Chile	3,510	3,377
Peru	1,215	1,226
Colombia	2,028	2,114
Argentina	1,051	588
Other South American countries	156	172
Other		
Africa	28	3
Asia	288	348
Total	**68,604**	**73,076**

7.b Other revenue and income - *€1,988 million*

Millions of euro

	2016	2015	Change	
Operating grants	22	8	14	-
Grants for environmental certificates	536	874	(338)	-38.7%
Capital grants (electricity and gas business)	19	17	2	11.8%
Sundry reimbursements	241	239	2	0.8%
Gains on disposal and negative goodwill on acquisitions of subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	399	313	86	27.5%
Gains on remeasurement at fair value after changes in control	99	80	19	23.8%
Gains on the disposal of property, plant and equipment, and intangible assets	65	52	13	25.0%
Service continuity bonuses	51	65	(14)	-21.5%
Other revenue	556	934	(378)	-40.5%
Total	**1,988**	**2,582**	**(594)**	**-23.0%**

"Grants for environmental certificates" decreased by €338 million from the prior year due to replacement of the green-certificate incentives mechanism as established by Ministerial Decree on July 6, 2012, as mentioned above.

"Sundry reimbursements" concern reimbursements from customers and suppliers totaling €57 million (€110 million in 2015) and insurance indemnities in the amount of €184 million (€129 million in 2015). This performance is in line with the previous year, although it includes an increase in insurance indemnities, particularly in Brazil for the distribution companies, which was nearly entirely offset by the decrease in Spain due to significant reimbursements from customers for fraudulent connections to the network recognized in 2015.

Gains on disposals and negative goodwill amounted to €399 million in 2016, an increase of €86 million, mainly attributable to a gain of €171 million on the sale GNL Quintero (an associated company in which the Group held a 20% interest), a gain of €124 million on the sale of Hydro Dolomiti Enel, and a gain of €35 million recognized by Enel Green Power Kansas for the sale of its subsidiaries Cimarron and Lindahl in December 2016. There was also a gain of about €2 million on the sale of a 1% interest in Enel Green Power North America Renewable Energy Partner ("EGPNA REP").
The figure for the previous year mainly included a gain of about €141 million on the sale of SE Hydropower, a gain of around €15 million from the sale of SF Energy and negative goodwill in the amount of €76 million following the acquisition of a controlling interest in 3Sun.

"Gains on remeasurement at fair value after changes in control" totaled €99 million and mainly concerned the aforementioned adjustment to fair value of the assets and liabilities of the Group following the loss of a controlling interest in EGPNA REP due to the sale of the 1% interest.
The decrease in "other revenue" is mainly attributable to the greater revenue recognized during the previous year (in the amount of €354 million) by the Argentine distribution company due to regulatory changes introduced with *Resolución* 32/2015, which were extensively revised following an increase in rates agreed on by regulators in Argentina beginning in 2016.

Costs

8.a Electricity, gas and fuel purchases - *€32,039 million*

Millions of euro

	2016	2015	Change	
Electricity	18,514	22,218	(3,704)	-16.7%
Gas	10,514	11,710	(1,196)	-10.2%
Nuclear fuel	165	250	(85)	-34.0%
Other fuels	2,846	3,466	(620)	-17.9%
Total	**32,039**	**37,644**	**(5,605)**	**-14.9%**

"Electricity" purchases for 2016 included purchases from the Acquirente Unico (Single Buyer) in the amount of €3,169 million (€3,695 million in 2015) and from GME (Energy Markets Operator) in the amount of €1,769 million (€1,553 million in 2015). The decrease in the aggregate mainly regards the reduction in costs for electricity purchases on electricity exchanges and on national and international markets due to a decrease in both average prices and quantities purchased. Purchases of "gas" decreased by €1,196 million, essentially due to a reduction in intermediation activities on the fuel market as result of both lower volumes handled and consumed and lower average unit costs compared with the previous year.

Purchases of "other fuels" diminished by €620 million, to €2,846 million in 2016, mainly due to the reduction in consumption in an environment of falling prices.

8.b Services and other materials - *€17,393 million*

Millions of euro

	2016	2015	Change	
Transmission and transport	9,448	9,118	330	3.6%
Maintenance and repairs	1,169	1,213	(44)	-3.6%
Telephone and postal costs	190	209	(19)	-9.1%
Communication services	113	104	9	8.7%
IT services	442	364	78	21.4%
Leases and rentals	541	577	(36)	-6.2%
Other services	3,782	3,794	(12)	-0.3%
Other materials	1,708	1,078	630	58.4%
Total	**17,393**	**16,457**	**936**	**5.7%**

Costs for services and other materials amounted to €17,393 million in 2016, an increase on 2015 of €936 million, due essentially to greater costs for the purchase of environmental certificates and CO_2 emissions allowances.

Transmission and transport costs increased by €330 million due mainly to an increase in electricity consumption in the leading markets in which the Group operates.

8.c Personnel - *€4,637 million*

Millions of euro

	2016	2015	Change	
Wages and salaries	3,127	3,306	(179)	-5.4%
Social security contributions	901	953	(52)	-5.5%
Deferred compensation benefits	105	125	(20)	-16.0%
Other post-employment and long-term benefits	129	(831)	960	-
Early retirement incentives	228	1,601	(1,373)	-85.8%
Other costs	147	159	(12)	-7.5%
Total	**4,637**	**5,313**	**(676)**	**-12.7%**

Personnel costs amounted to €4,637 million in 2016, a decrease of €676 million.
The workforce contracted by 5,834 due both to the net balance of hirings and terminations related to early retirement incentives (a decrease of 1,554) and, above all, to the change in the scope of consolidation (a decrease of 4,280) related essentially to the deconsolidation of the companies in Slovakia.

The reduction in "wages and salaries" and in "social security contributions" essentially reflects the decrease in the average workforce in 2016 as described below.

The change in "other post-employment and long-term benefits" can essentially be attributed to the reversal of the provision for the electricity discount related to former Italian employees (€902 million) following the unilateral revocation of that benefit in 2015.
"Early retirement incentives" amounted to €228 million in 2016. The decrease compared with 2015 (in the amount of €1,373 million) is mainly attributable to the agreements for early retirement reached in Italy in December 2015, in accordance with Article 4 of Law 92/2012 (€1,128 million) and to the reduction in early-retirement terminations in Spain ("*Acuerdo Voluntario de Salida*"), which produced a decrease of €159 million in costs compared with 2015.
For more details, see the section concerning the provision for early retirement incentives under note 35 below.
The table below shows the average number of employees by category, along with a comparison with the previous year, as well as the actual numbers as of December 31, 2016.

	Average number (1)			Headcount (1)
	2016	2015	Change	**at Dec. 31, 2016**
Senior managers	1,329	1,457	(128)	1,284
Middle managers	10,185	10,177	8	9,795
Office staff	34,373	34,769	(396)	32,654
Blue collar	19,401	21,978	(2,577)	18,347
Total	**65,288**	**68,381**	**(3,093)**	**62,080**

(1) For companies consolidated on a proportionate basis, the headcount corresponds to Enel percentage share of the total.

8.d Depreciation, amortization and impairment losses - *€6,355 million*

Millions of euro

	2016	2015	Change	
Property, plant and equipment	4,171	4,190	(19)	-0.5%
Investment property	8	8	-	-
Intangible assets	711	689	22	3.2%
Impairment losses	1,726	2,978	(1,252)	-42.0%
Reversals of impairment losses	(261)	(253)	(8)	-3.2%
Total	**6,355**	**7,612**	**(1,257)**	**-16.5%**

"Depreciation, amortization and impairment losses" for 2016 decreased by €1,257 million due mainly to a reduction in impairment losses recognized in 2016 as compared with the previous year, as detailed and described below.

Millions of euro

	2016	2015	Change	
Impairment losses:				
- property, plant and equipment	280	1,246	(966)	-77.5%
- investment property	6	5	1	20.0%
- intangible assets	241	68	173	-
- goodwill	31	13	18	-
- trade receivables	973	1,058	(85)	-8.0%
- assets classified as held for sale	74	574	(500)	-87.1%
- other assets	121	14	107	-
Total impairment losses	**1,726**	**2,978**	**(1,252)**	**-42.0%**
Reversals of impairment losses:				
- property, plant and equipment	(2)	(21)	19	-90.5%
- investment property	-	-	-	-
- intangible assets	(5)	-	(5)	-
- trade receivables	(250)	(230)	(20)	-8.7%
- assets classified as held for sale	-	-	-	-
- other assets	(4)	(2)	(2)	-
Total reversals of impairment losses	**(261)**	**(253)**	**(8)**	**-3.2%**

"Impairment losses" decreased by €1,252 million on the previous year.

Impairment losses on property, plant and equipment in 2016 mainly concerned adjustments to the value of a number of assets connected with the construction of hydroelectric plants on the Choshuenco and Neltume rivers in Chile for which there have been certain procedural difficulties (€33 million), as well as to: impairment testing of the CGUs of Enel Green Power Romania (€68 million) and Nuove Energie (for a total of €92 million, €66 million of which on property, plant and equipment and €26 million on goodwill); impairment losses of €51 million on the assets of Marcinelle, a subsidiary that was sold in November 2016; impairment of €55 million on upstream gas exploration assets; impairment losses on land owned by the Spanish subsidiary operating in the distribution segment (€22 million); and other minor items related mainly to companies operating in the renewable energy segment.

Impairment losses on property, plant and equipment in

2015, which were much higher than for the year under review, mainly regarded:

> power plants in Russia in the amount of €899 million;
> the property, plant and equipment of Enel Green Power Romania for €139 million and of 3Sun for €42 million;
> a number of mineral exploration assets in Algeria (attributable to the upstream gas area) totaling €132 million.

Impairment losses on intangible assets came to €241 million in 2016 and mainly concerned adjustments to the value of rights to use the water of the Neltume river mentioned above (€240 million).

Impairment losses recognized on assets classified as held for sale in 2015, in the amount of €574 million, concerned the net assets of Slovenské elektrárne.

8.e Other operating expenses - *€2,783 million*

Millions of euro

	2016	2015	Change	
System charges - emissions allowances	557	340	217	63.8%
System charges - energy efficiency certificates	426	315	111	35.2%
System charges - green certificates	(19)	181	(200)	-
Losses on disposal of property, plant and equipment, and intangible assets	266	49	217	-
Taxes and duties	1,060	1,272	(212)	-16.7%
Other	493	497	(4)	-0.8%
Total	**2,783**	**2,654**	**129**	**4.9%**

Other operating expenses, totaling €2,783 million, increased by €129 million due essentially to the following:

> the release of the nuclear fuel disposal provision in Slovakia in the 3rd Quarter of 2015 in the amount of €550 million, based on a study conducted by independent experts, following the new regulations introduced in July 2015 by the Slovak Government, which approved a new strategy for dealing with the "back end" of spent nuclear fuel;
> losses in the amount of €196 million recognized in Latin America due to the waiving of water rights for six development projects in Chile and Peru following an analysis of their profitability and socio-economic impact. This concerned the Puelo, Futaleufú, Bardón, Chillán 1 and 2, and Huechún projects in Chile (€166 million) and the Curibamba and Marañon projects in Peru (€30 million);
> a reduction in costs (€56 million) as the combined effect of provisions made in 2015 and their subsequent reversal in 2016 (€28 million) related to obligations for the construction and development of the hydroelectric plant in Girabolhos, Portugal;
> the provision of €327 million recognized in 2015 for indemnities for the unilateral revocation, for former employees in Italy, of the electricity discount as from December 31, 2015, which was then reversed in 2016 in the amount of €56 million for non-participation by the deadline of December 31, 2016;
> the reversal of the provision for disputes allocated in relation to the SAPE dispute in the amount of €80 million following the arbitration award in 2016.

Net of these items, other operating expenses declined by €98 million due essentially to the following:

> a decrease of €212 million in taxes and duties related essentially to:
  - a reduction of €76 million in power generation taxes in Spain under Law 15/2012 in correlation with a decline in quantities generated;
  - elimination of the nuclear power generation tax, which was deemed to be unconstitutional, in Catalonia, Spain, in the amount of €89 million;
  - the reduction in environmental taxes in a number of Italian regions due to lower local property taxes following certain regulatory changes in the taxation of industrial plants (about €60 million);
> an increase in environmental compliance charges for a total of €129 million.

8.f Capitalized costs - *€(1,669) million*

Millions of euro

	2016	2015	Change	
Personnel	(730)	(746)	16	2.1%
Materials	(544)	(433)	(111)	-25.6%
Other	(395)	(360)	(35)	-9.7%
Total	**(1,669)**	**(1,539)**	**(130)**	**-8.4%**

Capitalized costs consist of €730 million in personnel costs, €544 million in materials costs, and €395 million in service costs (compared with €746 million, €433 million, and €360 million, respectively, in 2015).

9. Net income/(expense) from commodity contracts measured at fair value - *€(133) million*

Net expense from commodity contracts measured at fair value amounted to €133 million, the result of net unrealized income on open positions in derivatives at December 31, 2016, in the amount of €74 million (net expense of €304 million in 2015) and net realized expense on positions closed during the year of €207 million (net income of €472 million in 2015).

Millions of euro

	2016	2015	Change	
Income:				
- unrealized on positions open at the end of the period	2,568	2,832	(264)	-9.3%
- realized on positions closed during the period	7,815	6,702	1,113	16.6%
Total income	**10,383**	**9,534**	**849**	**8.9%**
Expense:				
- unrealized on positions open at the end of the period	(2,494)	(3,136)	642	-20.5%
- realized on positions closed during the period	(8,022)	(6,230)	(1,792)	-28.8%
Total expenses	**(10,516)**	**(9,366)**	**(1,150)**	**-12.3%**
NET INCOME/(EXPENSE) FROM COMMODITY CONTRACTS MEASURED AT FAIR VALUE	**(133)**	**168**	**(301)**	**-**

10. Net financial income/(expense) from derivatives - *€(937) million*

Millions of euro

	2016	2015	Change	
Income:				
- income from cash flow hedge derivatives	475	1,507	(1,032)	-68.5%
- income from derivatives at fair value through profit or loss	1,369	907	462	50.9%
- income from fair value hedge derivatives	40	41	(1)	-2.4%
Total income	**1,884**	**2,455**	**(571)**	**-23.3%**
Expense:				
- expense on cash flow hedge derivatives	(1,141)	(330)	(811)	-
- expense on derivatives at fair value through profit or loss	(1,620)	(1,145)	(475)	-41%
- expense on fair value hedge derivatives	(60)	(30)	(30)	-
Total expenses	**(2,821)**	**(1,505)**	**(1,316)**	**-87.4%**
TOTAL FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES	**(937)**	**950**	**(1,887)**	**-**

Net expense from derivatives amounted to €937 million in 2016 (as compared with net income of €950 million in 2015), which can be broken down as follows:

> net expense on cash flow hedge derivatives in the amount of €666 million (compared with net income of €1,177 million in 2015);

> net expense on derivatives at fair value through profit or loss in the amount of €251 million (compared with €238 million in 2015);

> net expense on fair value hedge derivatives in the amount of €20 million (compared with net income of €11 million in 2015).

For more information on derivatives, see note 44 "Derivatives and hedge accounting".

11. Other net financial income/(expense) - *€(2,050) million*

Other financial income

Millions of euro

	2016	2015	Change	
Interest income from financial assets (current and non-current):				
- interest income at effective rate on non-current securities and receivables	45	85	(40)	-47.1%
- interest income at effective rate on short-term financial investments	179	180	(1)	-0.6%
Total interest income at the effective interest rate	**224**	**265**	**(41)**	**-15.5%**
Financial income on non-current securities at fair value through profit or loss	**-**	**5**	**(5)**	**-**
Exchange gains	**1,776**	**882**	**894**	**-**
Income on equity investments	**9**	**11**	**(2)**	**-18.2%**
Other income	**280**	**400**	**(120)**	**-30.0%**
TOTAL FINANCIAL INCOME	**2,289**	**1,563**	**726**	**46.4%**

"Other financial income", in the amount of €2,289 million, increased by €726 million compared with the previous year due to:

> an increase in exchange gains in the amount of €894 million, reflecting the impact, above all, of developments in exchange rates on net financial debt denominated in currencies other than the euro;
> a decrease of €41 million in interest income at the effective interest rate related essentially to long-term financial receivables and a slight reduction in income on equity investments, which came to €9 million in 2016;
> a decrease of €120 million in other income due essentially to the recognition in 2015 of income related to regulatory items on the electricity-distribution business in Argentina following the changes introduced by Resolutions 476/2015 and 1208/2015 concerning the CAMMESA remuneration mechanism (a total of €86 million) and interest recognized in 2015 on the refund of the "eco-tax" in the Estremadura region in Spain (€10 million).

Other financial expense

Millions of euro

	2016	2015	Change	
Interest expense on financial debt (current and non-current):				
- interest on bank borrowings	405	371	34	9.2%
- interest expense on bonds	2,135	2,314	(179)	-7.7%
- interest expense on other borrowings	138	143	(5)	-3.5%
Total interest expense	**2,678**	**2,828**	**(150)**	**-5.3%**
Expense on securities at fair value through profit or loss	**1**	**-**	**1**	**-**
Exchange losses	**947**	**1,738**	**(791)**	**-45.5%**
Accretion of post-employment and other employee benefits	**79**	**101**	**(22)**	**-21.8%**
Accretion of other provisions	**286**	**210**	**76**	**36.2%**
Charges on equity investments	**-**	**3**	**(3)**	**-**
Other charges	**349**	**89**	**260**	**-**
TOTAL FINANCIAL EXPENSE	**4,339**	**4,969**	**(630)**	**-12.7%**

"Other financial expense" amounted to €4,339 million, a total decrease of €630 million on 2015. The change reflects the following factors in particular:

> a decrease of €179 million in interest expense on bonds attributable mainly to Enel SpA (€89 million) and Enel Finance International (€92 million);
> a decrease of €791 million in exchange losses due to the performance of the euro against the other currencies in which bonds have been issued;
> a decrease of €22 million in charges from accretion of post-employment and other employee benefits due essentially to the elimination of interest on the electricity discount (see note 34 for details);
> an increase of €76 million in the accretion of other provisions, mainly related to *Resolución* ENRE 1/2016, which resulted in the accretion of a number of past fines being disputed in Argentina (€63 million) and an increase in interest expense on the early-retirement provision (€57 million). These factors were only partially offset by a reduction in charges for the decommissioning provision (€48 million) following the deconsolidation of Slovenské elektrárne ("SE");
> an increase of €260 million in other charges (€349 million in 2016 compared with €89 million in 2015), due essentially to the adjustment of the fair value of the financial receivable that arose from the sale of a 50% interest in Slovak Power Holding (a negative €220 million) in light of updates to a number of parameters used to determine the pricing formula, including the evolution of the net financial position of SE, the developments in energy prices in the Slovak market, the level of operating efficiency of SE measured on the basis of benchmarks defined by

contract, and the enterprise value of Mochovce units 3 and 4. It should also be noted that measurement of the equity investment takes account of the current best estimate of these parameters, which depend, in part, on meeting the budget and on the time it takes to complete the Mochovce plant.

12. Share of income/(losses) of equity investments accounted for using the equity method - *€(154) million*

Millions of euro

	2016	2015	Change	
Share of income of associates	115	152	(37)	-24.3%
Share of losses of associates	(269)	(100)	(169)	-
Total	**(154)**	**52**	**(206)**	**-**

The share of income and losses of equity investments accounted for using the equity method decreased by €206 million compared with the previous year. This change was mainly due to the adjustment to the value of the 50% equity interest in Slovak Power Holding (€219 million) recognized following the aforementioned changes to the parameters used to determine the pricing formula, including the change in the net financial position for SE, the trend in energy prices on the Slovak market, the levels of operating efficiency of SE measured based on benchmarks defined by contract, and the enterprise value of Mochovce units 3 and 4. It should also be noted that measurement of the equity investment takes account of the current best estimate of these parameters, which depend, in part, on meeting the budget and on the time it takes to complete the Mochovce plant.

13. Income taxes - *€1,993 million*

Millions of euro

	2016	2015	Change	
Current taxes	1,695	2,061	(366)	-17.8%
Adjustments for income taxes relating to prior years	1	(19)	20	-
Total current taxes	**1,696**	**2,042**	**(346)**	**-16.9%**
Deferred tax liabilities	(312)	(125)	(187)	-
Deferred tax assets	609	(8)	617	-
TOTAL	**1,993**	**1,909**	**84**	**4.4%**

Income taxes for 2016 amounted to €1,993 million, compared with €1,909 million in 2015.

The increase of €84 million in income taxes for 2016 compared with the previous year reflects both the increase in pre-tax income and the following factors:

> the increase in taxes recognized in 2016 following an adjustment of €60 million in deferred tax liabilities due to the change to the income tax rate in Peru from a descending rate (27% for 2017 and 2018 and 26% thereafter) to a fixed rate of 29.5%;

> the effect of the recognition in 2015 of a negative adjustment of net deferred tax assets in the amount of €197 million due to the effect of the Stability Act, which reduced the corporate income tax rate (IRES) in Italy from 27.5% to 24%;

> the change in the contribution of operations subject to tax rates that varied from the theoretical rates (in 2016, the gains on Hydro Dolomiti Enel and GNL Quintero and the value adjustments to the assets related to Slovak Power Holding and, in 2015, the gain on the sale of SE Hydropower and the fair value measurement and negative goodwill of 3Sun).

Millions of euro

	2016		2015	
Income before taxes	5,780		5,281	
Theoretical taxes	1,590	27.5%	1,452	27.5%
Change in tax effect on impairment losses, capital gains and negative goodwill	118		(51)	
Additional taxes for change in tax rate on temporary fiscal differences during the year	44		-	
Impact on deferred taxation of changes in tax rates	55		197	
IRAP	208		250	
Other differences, effect of different foreign tax rates, and minor items	(22)		61	
Total	**1,993**		**1,909**	

14. Basic and diluted earnings per share

Both metrics are calculated on the basis of the average number of ordinary shares in the period, equal to 9,975,849,408 shares, adjusted for the diluting effect of outstanding stock options (none in both periods).

As a result of the change in the number of ordinary shares during 2016 due to the partial non-proportional demerger of Enel Green Power SpA to Enel SpA, which involved the issue of 763,322,151 new ordinary shares with a par value of €1 each on March 31, 2016, the share capital of the Parent Company now consists of 10,166,679,946 ordinary shares with a par value of €1 each.

The number of shares used to calculate earnings per share therefore reflects the weighting of the number of shares outstanding by the corresponding fraction of the year in which they were in circulation.

	2016	2015	Change	
Net income from continuing operations attributable to shareholders of the Parent Company (millions of euro)	2,570	2,196	374	17.0%
Net income from discontinued operations attributable to shareholders of the Parent Company (millions of euro)	-	-	-	-
Net income attributable to shareholders of the Parent Company (millions of euro)	2,570	2,196	374	17.0%
Average number of ordinary shares	9,975,849,408	9,403,357,795	572,491,613	6.1%
Dilutive effect of stock options	-	-	-	-
Basic and diluted earnings per share (euro)	0.26	0.23	0.03	13.0%
Basic and diluted earnings from continuing operations per share (euro)	0.26	0.23	0.03	13.0%
Basic and diluted earnings from discontinued operations per share (euro)	-	-	-	-

15. Property, plant and equipment - *€76,265 million*

The breakdown of and changes in property, plant and equipment for 2016 are shown below.

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment
Cost	663	8,788	147,014	400
Accumulated depreciation and impairment	-	4,959	85,910	323
Balance at Dec. 31, 2015	**663**	**3,829**	**61,104**	**77**
Capital expenditure	2	110	1,316	20
Assets entering service	(20)	412	4,709	5
Exchange rate differences	19	103	1,138	-
Change in the scope of consolidation	(5)	(186)	(1,426)	(1)
Disposals	(1)	(28)	(86)	(1)
Depreciation	-	(137)	(3,800)	(17)
Impairment losses	-	-	(121)	-
Reversals of impairment losses	-	-	2	-
Other changes	2	23	159	(4)
Reclassifications to/from assets held for sale	-	-	(4)	-
Total changes	**(3)**	**297**	**1,887**	**2**
Cost	660	9,224	152,781	414
Accumulated depreciation and impairment	-	5,098	89,790	335
Balance at Dec. 31, 2016	**660**	**4,126**	**62,991**	**79**

Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	**Total**
1,289	1,030	364	6,468	166,016
1,035	258	224	-	92,709
254	**772**	**140**	**6,468**	**73,307**
39	7	12	6,131	7,637
56	-	29	(5,191)	-
10	8	(2)	412	1,688
(4)	-	(1)	(577)	(2,200)
(2)	(2)	-	(81)	(201)
(75)	(45)	(42)	-	(4,116)
-	-	-	(159)	(280)
-	-	-	-	2
(8)	(10)	13	262	437
-	-	-	(5)	(9)
16	**(42)**	**9**	**792**	**2,958**
1,336	1,015	402	7,260	173,092
1,066	285	253	-	96,827
270	**730**	**149**	**7,260**	**76,265**

"Plant and machinery" includes assets to be relinquished free of charge with a net carrying amount of €9,459 million (€8,516 million at December 31, 2015), largely regarding power plants in the Iberian Peninsula and Latin America amounting to €5,280 million (€5,155 million at December 31, 2015) and the electricity distribution network in Latin America totaling €3,630 million (€2,998 million at December 31, 2015).

For more information on "leased assets", see note 17 below.

The types of capital expenditure made during 2016 are summarized below. These expenditures, totaling €7,637 million, increased by €1,284 million from 2015, an increase that was particularly concentrated in wind and solar power plants.

Millions of euro

	2016	2015
Power plants:		
- thermal	694	757
- hydroelectric	551	807
- geothermal	265	197
- nuclear	115	128
- alternative energy sources	3,407	1,900
Total power plants	**5,032**	**3,789**
Electricity distribution networks	2,558	2,466
Land, buildings, and other assets and equipment	47	98
TOTAL	**7,637**	**6,353**

Capital expenditure on power plants amounted to €5,032 million, an increase of €1,243 million on the previous year, essentially reflecting increased investment in alternative-energy plants, mainly wind, in the amount of €2,207 million, and photovoltaic plants, in the amount of €1,185 million. In terms of geographical distribution, growth in capital expenditure was particularly significant in North America, Latin America and South Africa.

Expenditure on the electricity distribution network totaled €2,558 million and increased by €92 million from the previous year. The rise is essentially attributable to the efforts to increase and maintain service-quality levels in Italy.

The "change in the scope of consolidation" for 2016 is mainly related to the sales in the United States in December as a result of joint-venture agreements with General Electric (EGPNA Renewable Energy Partners, Cimarron, and Lindahl).

"Impairment losses" on property, plant and equipment amounted to €280 million. For a more detailed analysis, see note 8.d.

In addition to the impairment of the Enel Green Power Romania and Nuove Energie CGUs noted elsewhere, at December 31, 2016, testing was conducted of the recoverability of the value of the assets of a number of other CGUs (Enel Russia, Enel Green Power Hellas and Enel Produzione) that showed evidence of impairment, following which it was determined that the values were essentially recoverable. The underlying assumptions used to perform this testing are summarized in the detailed table reported in note 20 below.

In order to verify the robustness of the value in use identified for those CGUs, sensitivity analyses were conducted for the main value drivers, and in particular WACC, the long-term growth rate and EBITDA, assuming individual changes in each assumption of up to 5% of the value used in the tests. Within those ranges of variation, it was found that:

- for the Enel Produzione CGU, the main value drivers were broadly in line with those for breakeven;
- for the Enel Russia CGU, achieving the breakeven level of the main value drivers is expected with an increase of 1.5% in the pre-tax WACC, a reduction of 1.2% in the growth rate and a contraction of 0.9% in EBITDA.

"Other changes" include, among other items, the effect of the capitalization of interest on specific loans for capital expenditure in the amount of €201 million (€208 million in 2015), as detailed in the following table.

Millions of euro

	2016	Rate (%)	2015	Rate (%)	Change	
Enel Green Power Group	146	5.2%	80	5.2%	66	45.2%
Enel Américas Group	28	18.1%	104	23.7%	(76)	-
Enel Chile Group	4	9.0%	-	-	4	-
Endesa Group	8	2.6%	7	2.7%	1	12.5%
Enel Produzione	13	4.8%	15	4.7%	(2)	-15.4%
Enel Trade	2	0.4%	2	0.4%	-	-
Total	**201** (1)		**208** (2)		**(7)**	**-3.5%**

(1) The figure does not include €46 million for the period in which Slovenské elektrárne was reclassified as held for sale.
(2) The figure does not include €51 million regarding units classified as held for sale.

At December 31, 2016, contractual commitments to purchase property, plant and equipment amounted to €537 million.

16. Infrastructure within the scope of "IFRIC 12 - Service concession arrangements"

Service concession arrangements, which are recognized in accordance with IFRIC 12, regard certain infrastructure serving concessions for electricity distribution in Brazil.

The following table summarizes the salient details of those concessions.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	Amount recognized among financial assets at Dec. 31, 2016	Amount recognized among intangible assets at Dec. 31, 2016
Ampla Energia e Serviços	Brazilian Government	Electricity distribution	Brazil	1997-2026	10 years	Yes	654	1.079
Companhia Energética do Ceará	Brazilian Government	Electricity distribution	Brazil	1998-2028	11 years	Yes	322	876
Enel Green Power Mourão	Brazilian Government	Power generation	Brazil	2016-2046	29 years	No	8	-
Enel Green Power Paranapanema	Brazilian Government	Power generation	Brazil	2016-2046	29 years	No	38	-
Total							**1,022**	**1,955**

The value of the assets at the end of the concessions classified under financial assets has been measured at fair value. For more information, see note 45 "Assets measured at fair value".

17. Leases

The Group, in the role of lessee, has entered into finance lease agreements. They include certain assets which the Group is using in Spain, Peru, Italy and Greece. In Spain, the assets relate to a 25-year tolling agreement (19 years remaining) for which an analysis pursuant to IFRIC 4 identified an embedded finance lease, under which Endesa has access to the generation capacity of a combined-cycle plant for which the toller, Elecgas, has undertaken to transform gas into electricity in exchange for a toll at a rate of 9.62%.

In Peru, leases concern agreements related to financing for the Ventanilla combined-cycle plant (with an average term of eight years remunerated at an annual rate of Libor + 1.75%) as at December 31, 2016, as well as an agreement that financed construction of a new open-cycle system at the Santa Rosa plant (with a term of nine years and annual interest of Libor + 1.75%).

The other lease agreements regard wind plants that the Group uses in Italy (expiring in 2030-2031 and with a discount rate of between 4.95% and 5.5%).

The carrying amount of assets held under finance leases is reported in the following table.

Millions of euro

	2016	2015	Change	
Property, plant and equipment	730	772	(42)	-5.4%
Intangible assets	-	-	-	-
Total	**730**	**772**	**(42)**	**-5.4%**

The following table reconciles total future minimum lease payments and the present value, broken down by maturity.

Millions of euro	Future minimum payments	Present value of future minimum payments	Future minimum payments	Present value of future minimum payments
	at Dec. 31, 2016		at Dec. 31, 2015	
Periods:				
2017	108	75	97	58
2018-2021	338	217	322	199
Beyond 2021	625	453	696	498
Total	**1,071**	**745**	**1,115**	**755**
Finance charges	(326)		(360)	
Present value of minimum lease payments	**745**		**755**	

The Group, in the role of lessee, has entered also into operating lease agreements regarding the use of certain assets for industrial purposes. The associated lease payments are expensed under "Services and other materials".

Costs for operating leases are broken down in the following table into minimum payments, contingent rents and sublease payments.

Millions of euro

	2016
Minimum lease payments	2,071
Contingent rents	-
Sublease payments	-
Total	**2,071**

The future minimum lease payments due by the Group under such leases break down by maturity as follows.

Millions of euro

	2016
Periods:	
within 1 year	205
beyond 1 year and within 5 years	787
beyond 5 years	1,079
Total	**2,071**

18. Investment property - *€124 million*

Investment property at December 31, 2016, amounted to €124 million, essentially in line with the previous year.

Millions of euro

	2016
Cost	187
Accumulated depreciation and impairment	43
Balance at Dec. 31, 2015	**144**
Assets entering service	-
Exchange rate differences	1
Depreciation	(8)
Impairment losses	(6)
Other changes	(7)
Total changes	**(20)**
Cost	167
Accumulated depreciation and impairment	43
Balance at Dec. 31, 2016	**124**

The Group's investment property consists of properties in Italy, Spain and Chile, which are free of restrictions on the realizability of the investment property or the remittance of income and proceeds of disposal. In addition, the Group has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

For more details on the valuation of investment property, see notes 45 "Assets measured at fair value" and 45.1 "Fair value of other assets".

19. Intangible assets - *€15,929 million*

A breakdown of and changes in intangible assets for 2016 are shown below.

Millions of euro	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Service concession arrangements	Other	Assets under development and advances	**Total**
Cost	28	2,999	13,394	2,972	1,642	574	21,609
Accumulated amortization and impairment	18	2,418	1,252	1,470	1,216	-	6,374
Balance at Dec. 31, 2015	**10**	**581**	**12,142**	**1,502**	**426**	**574**	**15,235**
Investments	4	138	29	361	11	372	915
Assets entering service	-	222	-	-	32	(254)	-
Exchange differences	1	4	624	394	7	16	1,046
Change in the scope of consolidation	-	(7)	(17)	-	(43)	(1)	(68)
Disposals	(13)	-	(123)	(36)	(9)	-	(181)
Amortization	(1)	(278)	(158)	(165)	(114)	-	(716)
Impairment losses	-	-	(241)	-	-	-	(241)
Reversals of impairment losses	-	-	5	-	-	-	5
Other changes	(1)	(33)	16	(101)	63	5	(51)
Reclassifications to assets held for sale	-	-	(14)	-	-	(1)	(15)
Total changes	**(10)**	**46**	**121**	**453**	**(53)**	**137**	**694**
Cost	19	3,213	13,910	3,946	1,632	711	23,431
Accumulated amortization and impairment	19	2,586	1,647	1,991	1,259	-	7,502
Balance at Dec. 31, 2016	**-**	**627**	**12,263**	**1,955**	**373**	**711**	**15,929**

"Industrial patents and intellectual property rights" relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of Internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the asset's residual useful life (on average between three and five years).
"Concessions, licenses, trademarks and similar rights" include the costs incurred for the acquisition of customers by the foreign electricity distribution and gas sales companies. Amortization is calculated on a straight-line basis over the term of the average period of the relationship with customers or of the concessions.

The following table reports service concession arrangements that do not fall within the scope of IFRIC 12.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	**at Dec. 31, 2016**	Initial fair value
Endesa Distribución Eléctrica	-	Electricity distribution	Spain	Indefinite	Indefinite	-	5,679	5,673
Codensa	Republic of Colombia	Electricity distribution	Colombia	Indefinite	Indefinite	-	1,710	1,839
Enel Distribución Chile (formerly Chilectra)	Republic of Chile	Electricity distribution	Chile	Indefinite	Indefinite	-	1,716	1,667
Enel Distribución Perú (formerly Empresa de Distribución Eléctrica de Lima Norte)	Republic of Peru	Electricity distribution	Peru	Indefinite	Indefinite	-	671	548
Enel Distributie Muntenia	Romanian Ministry for the Economy	Electricity distribution	Romania	2005-2054	37 years	Yes	150	191

The item includes assets with an indefinite useful life in the amount of €9,776 million (€9,454 million at December 31, 2015), essentially accounted for by concessions for distribution activities in Spain (€5,679 million), Colombia (€1,710 million), Chile (€1,716 million), and Peru (€671 million), for which there is no statutory or currently predictable expiration date. On the basis of the forecasts developed, cash flows for each CGU, with which the various concessions are associated, are sufficient to recover the carrying amount. The change during the year is essentially attributable to changes in exchange rates. For more information on service concession arrangements, please see note 24.

The "change in the scope of consolidation" for 2016 is mainly related to the sales in the United States in December as a result of joint-venture agreements with General Electric (EGPNA Renewable Energy Partners, Cimarron, and Lindahl).

"Impairment losses" amounted to €241 million in 2016. For more information, see note 8.d.

At December 31, 2016, contractual commitments for the acquisition of intangible assets amounted to €20 million.

20. Goodwill - *€13,556 million*

Goodwill amounted to €13,556 million, a decrease of €268 million for the year.

Millions of euro	at Dec. 31, 2015			Change in scope of cons.
	Cost	Cumulative impairment	**Net carrying amount**	
Endesa [1]	10,999	(2,392)	8,607	157
Latin America	3,285	-	3,285	-
Enel Green Power Group [2]	798	(132)	666	(157)
Enel Energia	579	-	579	-
Enel Distributie Muntenia	548	-	548	-
Enel Energie Muntenia	113	-	113	-
Nuove Energie	26	-	26	-
Total	**16,348**	**(2,524)**	**13,824**	**-**

(1) Includes Enel Green Power España.
(2) Includes Enel Green Power Latin America, Enel Green Power North America, Enel Green Power Hellas, Enel Green Power Romania, Enel Green Power Bulgaria, Enel Green Power Italia.

The "change in the scope of consolidation" mainly refers to the sale of the equity investment in Enel Green Power España to Endesa.

The "other changes" mainly refer to the reduction of goodwill for the two Romanian companies, Enel Distributie Muntenia and Enel Energie Muntenia, as a result of:

> an adjustment to the value of debt related to the put option on 13.6% based on the international arbitration ruling with SAPE, which was concluded in February 2017;
> a 10% reduction in the Group's interest following the cessation of the tag-along rights of former employees tied to the put option supported by further analyses by outside legal counsel.

It should be noted that the transaction has been recognized in compliance with paragraphs 65A to 65E of IFRS 3, which make reference to the previous version of IFRS 3 for option rights granted when said version was applicable. This standard provided the option of recognizing changes in debt for put options as an entry to goodwill in the event the option right had been granted in conjunction with a business combination and classified, for accounting purposes, as contingent consideration.

The criteria used to identify the cash generating units (CGUs) were essentially based – in line with management's strategic and operational vision – on the specific characteristics of their business, on the operational rules and regulations of the markets in which Enel operates and on the corporate organization, as well as on the level of reporting monitored by management.
The recoverable value of the goodwill recognized was estimated by calculating the value in use of the CGUs using discounted cash flow models, which involve estimating expected future cash flows and applying an appropriate discount rate, selected on the basis of market inputs such as risk-free rates, betas and market-risk premiums.
Cash flows were determined on the basis of the best information available at the time of the estimate and drawn:

Exchange rate diff.	Impairment losses	Other changes	at Dec. 31, 2016		
			Cost	Cumulative impairment	**Net carrying amount**
-	-	-	11,157	(2,393)	**8,764**
-	-	-	3,285	-	**3,285**
16	(5)	(16)	641	(137)	**504**
-	-	-	579	-	**579**
-	-	(187)	361	-	**361**
-	-	(50)	63	-	**63**
-	(26)	-	26	(26)	**-**
16	**(31)**	**(253)**	**16,112**	**(2,556)**	**13,556**

> for the explicit period, from the 5-year Business Plan approved by the Board of Directors of the Parent Company containing forecasts for volumes, revenue, operating costs, capital expenditure, industrial and commercial organization, and developments in the main macroeconomic variables (inflation, nominal interest rates and exchange rates) and commodity prices. The explicit period of cash flows considered in impairment testing differs in accordance with the specific features and business cycles of the various CGUs being tested. These differences are generally associated with the different average times needed to build and bring into service the plant and other works that characterize the investments of the specific businesses that make up the CGU (conventional thermal generation, nuclear power, renewables, distribution, etc.);

> for subsequent years, from assumptions concerning long-term developments in the main variables that determine cash flows, the average residual useful life of assets or the duration of the concessions.

More specifically, the terminal value was calculated as a perpetuity or annuity with a nominal growth rate equal to the long-term rate of growth in electricity and/or inflation (depending on the country and business involved) and in any case no higher than the average long-term growth rate of the reference market. The value in use calculated as described above was found to be greater than the amount recognized on the balance sheet, with the exceptions discussed below. In order to verify the robustness of the value in use of the CGUs, sensitivity analyses were conducted for the main drivers of the values, in particular WACC, the long-term growth rate and margins, the outcomes of which fully supported that value.

The table below reports the results of the sensitivity analysis for the CGUs with goodwill and without goodwill recognized, at the close of the period, along with the discount rates applied and the time horizon over which the expected cash flows have been discounted.

Millions of euro	Amount	Growth rate (1)	Pre-tax WACC discount rate (2)	Explicit period of cash flows	Terminal value (3)
	at Dec. 31, 2016				
CGUs with goodwill					
Endesa - Iberian Peninsula	8,607	1.40%	7.78%	5 years	Perpetuity
Endesa - Latin America (4)	3,285	2.71%	8.83%	5 years	Perpetuity
Enel Romania (5)	424	2.00%	7.24%	5 years	Perpetuity
Enel Energia	579	0.23%	12.16%	5 years	15 years
Enel Green Power España	157	1.60%	7.99%	5 years	13 years
Enel Green Power Latin America	360	3.27%	8.72%	5 years	21 years
Enel Green Power North America	121	2.20%	6.03%	5 years	21 years
Nuove Energie	-	-	10.06%	29 years	-
Enel Green Power Italia	23	1.50%	8.49%	5 years	Perpetuity/16 years (6)
Enel Green Power Bulgaria	-	-	7.51%	5 years	13 years
CGUs without goodwill but tested for impairment in the presence of the indicators provided for in IAS 36					
Enel Russia	-	2.93%	14.86%	5 years	Perpetuity
Enel Produzione	-	0.65%	9.65%	5 years	Perpetuity
Enel Green Power Romania	-	2.00%	7.26%	5 years	15 years
Enel Green Power Hellas	-	-	13.83%	5 years	16 years

(1) Perpetual growth rate for cash flows after the explicit forecast period.
(2) Pre-tax WACC calculated using the iterative method: the discount rate that ensures that the value in use calculated with pre-tax cash flows is equal to that calculated with post-tax cash flows discounted with the post-tax WACC.
(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.
(4) Goodwill includes the goodwill pertaining to Enel Green Power España.
(5) Includes all companies operating in Romania.
(6) The terminal value for Enel Green Power Italia was estimated on the basis of a perpetuity for the hydroelectric and geothermal plants and an expected annuity with a rising yield for a period of 16 years for other renewables technologies (wind, solar, biomass). It was 17 years at December 31, 2015.

At December 31, 2016, impairment testing for the CGUs that had goodwill pointed to an impairment loss of €26 million on the Nuove Energie CGU and a €5 million impairment loss on the Enel Green Power Bulgaria CGU.

At December 31, 2015, impairment testing of the CGUs to which goodwill had been allocated found an impairment loss of €155 million on the Enel Green Power Romania CGU, of which €13 million attributed to goodwill, while the remainder was allocated among the generation assets.

Amount	Growth rate (1)	Pre-tax WACC discount rate (2)	Explicit period of cash flows	Terminal value (3)
at Dec. 31, 2015				
8,607	1.77%	7.90%	5 years	Perpetuity
3,285	3.12%	8.42%	5 years	Perpetuity
660	2.30%	7.65%	5 years	Perpetuity
579	0.16%	11.92%	5 years	15 years
157	2.00%	7.63%	5 years	12 years
350	3.34%	8.16%	5 years	21 years
131	2.20%	9.27%	5 years	19 years
26	0.20%	9.94%	9 years	16 years
23	2.00%	8.50%	5 years	Perpetuity/17 years (6)
5	2.20%	8.09%	5 years	14 years
-	4.00%	15.31%	5 years	Perpetuity
-	0.82%	9.06%	5 years	Perpetuity
-	2.30%	8.08%	5 years	16 years
-	-	13.61%	5 years	21 years

21. Deferred tax assets and liabilities - *€6,665 million and €8,768 million*

The following table details changes in deferred tax assets and liabilities by type of timing difference and calculated based on the tax rates established by applicable regulations. The table also reports the amount of deferred tax assets that, where allowed, can be offset against deferred tax liabilities.

Millions of euro		Increase/(Decrease) taken to income statement	Increase/(Decrease) taken to equity
	at Dec. 31, 2015		
Deferred tax assets:			
- differences in the value of property, plant and equipment and intangible assets	1,998	(294)	-
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	1,456	(57)	14
- tax loss carried forward	145	17	-
- measurement of financial instruments	824	(25)	(80)
- employee benefits	620	(61)	63
- other items	2,343	(212)	(34)
Total	**7,386**	**(632)**	**(37)**
Deferred tax liabilities:			
- differences on non-current and financial assets	6,606	(300)	(2)
- measurement of financial instruments	433	(15)	(29)
- other items	1,938	(15)	(29)
Total	**8,977**	**(330)**	**(60)**
Non-offsettable deferred tax assets			
Non-offsettable deferred tax liabilities			
Excess net deferred tax liabilities after any offsetting			

At December 31, 2016, "deferred tax assets", recognized when there is a reasonable certainty of their recoverability, totaled €6,665 million (€7,386 million at December 31, 2015). The change during the year amounted to €721 million, mainly reflecting the tax effect of income components not recognized for tax purposes, particularly related to derivative instruments and provisions for risks.

It should also be noted that no deferred tax assets were recorded in relation to prior tax losses in the amount of €1,185 million because, on the basis of current estimates of future taxable income, it is not certain that such assets will be recovered.

"Deferred tax liabilities" amounted to €8,768 million at December 31, 2016 (€8,977 million at December 31, 2015). They essentially include the determination of the tax effects of the value adjustments to assets acquired as part of the final allocation of the cost of acquisitions made in the various years and the deferred taxation in respect of the differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful lives of assets.

The change for the year, in the amount of €209 million, includes the adjustment (of €60 million) to deferred taxes recognized following the change to the income tax rate in Peru from a descending rate (27% for 2017 and 2018 and 26% thereafter) to a fixed rate of 29.5%.

Change in the scope of consolidation	Other changes	Exchange rate differences	Reclassifications of assets held for sale	
				at Dec. 31, 2016
(18)	106	11	(7)	1,796
7	60	41	-	1,521
(2)	(82)	4	(1)	81
-	(2)	2	3	722
1	-	14	-	637
-	(207)	17	1	1,908
(12)	**(125)**	**89**	**(4)**	**6,665**
(25)	(147)	310	9	6,451
-	(5)	1	-	385
1	19	18	-	1,932
(24)	**(133)**	**329**	**9**	**8,768**
				3,426
				3,741
				1,788

22. Equity investments accounted for using the equity method - *€1,558 million*

Investments in joint arrangements and associated companies accounted for using the equity method are as follows.

Millions of euro		% held	Income effect	Change in scope of consol.
	at Dec. 31, 2015			
Joint arrangements				
EGPNA Renewable Energy Partners	-	-	4	401
OpEn Fiber	-	-	-	355
Slovak Power Holding	-	-	(219)	375
Enel F2i Solare Italia (formerly Ultor)	110	50.0%	2	52
Tejo Energia Produção e Distribuição de Energia Eléctrica	63	38.9%	10	-
RusEnergoSbyt	32	49.5%	34	-
Energie Electrique de Tahaddart	30	32.0%	6	-
Drift Sand Wind Project LLC	-	-	-	20
Empresa de Energía de Cundinamarca	29	40.4%	1	(30)
Electrogas	16	42.5%	6	-
Transmisora Eléctrica de Quillota	10	50.0%	2	-
Centrales Hidroeléctricas de Aysén	8	51.0%	(2)	-
PowerCrop	4	50.0%	(2)	-
Associates				
Elica 2	50	30.0%	-	-
CESI	39	42.7%	4	-
Tecnatom	33	45.0%	1	-
GNL Quintero	22	20.0%	4	(6)
Suministradora Eléctrica de Cádiz	17	33.5%	3	-
Terrae	12	20.0%	-	(12)
Compañía Eólica Tierras Altas	14	35.6%	(1)	-
Other	118	-	(7)	-
Total	**607**	**-**	**(154)**	**1,155**

Changes in the scope of consolidation resulted in an increase of €1,155 million attributable essentially to the following:

- the remaining 50% interest in Slovak Power Holding, the company which holds the 66% interest in Slovenské elektrárne and 50% of which was then sold at the end of July 2016;
- the 50% interest in OpEn Fiber (formerly Enel OpEn Fiber) that remained after the sale of a 50% interest to F2i at the end of December 2016;
- the 50% interest in Enel Green Power North America Renewable Energy Partners (EGPNA REP), the special-purpose vehicle that received (and will receive in the future) the plants operating in the United States for which a partnership agreement was reached with General Electric.

These effects were only partially offset by the change to line-by-line consolidation concerning the assets of Empresa de Energía de Cundinamarca following this company's merger into Codensa.

Income effects mainly concern the €219 million charge related to the impairment loss on the joint venture Slovak Power Holding.

With regard to the latter, given the agreement between Enel Produzione and EP Slovakia that establishes mutual rights and obligations for the sale (by Enel Produzione) and purchase (by EP Slovakia) of the remaining 50% interest held in Slovak Power Holding following certain future events related to completion of Mochovce units 3 and 4 of

Dividends	Other changes		% held
		at Dec. 31, 2016	
-	15	420	50.0%
-	-	355	50.0%
-	-	156	50.0%
-	-	164	50.0%
(9)	7	71	43.8%
-	5	71	49.5%
(5)	-	31	32.0%
-	(3)	17	35.0%
-	-	-	-
(5)	-	17	42.5%
-	-	12	50.0%
-	3	9	51.0%
-	-	2	50.0%
-	(5)	45	30.0%
(1)	-	42	42.7%
-	-	34	45.0%
(1)	(19)	-	-
(3)	-	17	33.5%
-	-	-	-
-	-	13	35.6%
(10)	(19)	82	-
(34)	**(16)**	**1,558**	**-**

the subsidiary Slovenské elektrárne ("SE"), any impairment loss is measured by determining the recoverable value of the investment by applying the pricing formula defined in the agreement for the sale of the 66% interest in SE, which is based on a variety of parameters, including the evolution of SE net financial position, developments in energy prices in the Slovak market, the level of operating efficiency of SE based on benchmarks established in the agreement, and the enterprise value of Mochovce units 3 and 4.

It should also be noted that application of the equity method to the investments in RusEnergoSbyt and PowerCrop incorporates implicit goodwill of €27 million and €9 million, respectively.

The following table provides a summary of financial information for each joint arrangement and associate of the Group not classified as held for sale in accordance with IFRS 5.

Millions of euro	Non-current assets		Current assets		Total assets	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Joint arrangements						
Centrales Hidroeléctricas de Aysén	22	20	1	1	23	21
OpEn Fiber	769	-	240	-	1,009	-
Enel F2i Solare Italia (formerly Ultor)	279	289	70	39	349	328
RusEnergoSbyt	6	4	213	108	219	112
Tejo Energia Produção e Distribuição de Energia Eléctrica	277	326	134	140	411	466
Energie Electrique de Tahaddart	111	120	32	32	143	152
PowerCrop	40	41	41	16	81	57
Associates						
Tecnatom	77	77	58	69	135	146
Suministradora Eléctrica de Cádiz	74	76	18	16	92	92
Compañía Eólica Tierras Altas	35	40	2	4	37	44

Non-current liabilities		Current liabilities		Total liabilities		Equity	
at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
-	-	5	4	5	5	18	16
-	-	299	-	299	-	710	-
139	147	4	6	143	153	206	175
-	-	129	104	129	104	90	8
163	214	84	90	247	304	164	162
9	26	36	33	45	59	98	93
1	1	61	33	62	34	19	23
31	28	26	46	57	74	78	72
23	24	17	17	40	41	52	51
1	2	2	4	3	6	34	38

Millions of euro	Total revenue		Income before taxes		Net income from continuing operations	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Joint arrangements						
Centrales Hidroeléctricas de Aysén	-	-	(6)	(7)	(6)	(7)
OpEn Fiber	15	-	(11)	-	(9)	-
Enel F2i Solare Italia (formerly Ultor)	26	10	5	2	5	2
RusEnergoSbyt	1,991	2,019	86	94	69	76
Tejo Energia Produção e Distribuição de Energia Eléctrica	207	221	31	29	22	21
Energie Electrique de Tahaddart	56	55	28	26	19	18
PowerCrop	-	2	(4)	(2)	(4)	(2)
Associates						
Tecnatom	88	5	1	5	1	5
Suministradora Eléctrica de Cádiz	15	15	8	8	8	8
Companía Eólica Tierras Altas	8	11	(2)	3	(1)	3

23. Derivatives

Millions of euro	Non-current		Current	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Derivative financial assets	1,609	2,343	3,945	5,073
Derivative financial liabilities	2,532	1,518	3,322	5,509

For more information on derivatives classified as non-current financial assets, please see note 44 for hedging derivatives and trading derivatives.

24. Other non-current financial assets - *€3,892 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Equity investments in other companies measured at fair value	146	181	(35)	-19.3%
Equity investments in other companies	50	56	(6)	-10.7%
Receivables and securities included in net financial debt (see note 24.1)	2,621	2,335	286	12.2%
Service concession arrangements	1,022	631	391	62.0%
Non-current prepaid financial expense	53	71	(18)	-25.4%
Total	**3,892**	**3,274**	**618**	**18.9%**

"Other non-current financial assets" increased by €618 million in 2016 as compared with the previous year. In particular, the increase reflected an increase of receivables included in net financial debt, as discussed in note 24.1, and service concession arrangements in Brazil.

"Equity investments in other companies" include investments for which the market value is not readily measurable; therefore, in the absence of expected sales of these investments, they have been measured at purchase cost and adjusted for any impairment.

Equity investments in other companies measured at fair value and at cost break down as follows.

Millions of euro		% held		% held	
	at Dec. 31, 2016		at Dec. 31, 2015		Change
Bayan Resources	139	10.0%	175	10.0%	(36)
Echelon	1	7.1%	2	7.1%	(1)
Galsi	17	17.6%	17	17.6%	-
Other	39		43		(4)
Total	**196**		**237**		**(41)**

The change on the previous year essentially reflects the increase in the fair value of Bayan Resources, an Indonesian company listed on the local stock exchange that operates in the coal extraction industry, as based on market prices for its stock.

"Service concession arrangements" concern amounts paid to the licensing authorities for the construction and/or improvement of public-service infrastructures involved in concession arrangements, which have been recognized in accordance with IFRIC 12.

24.1 Other non-current financial assets included in net financial debt

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Securities held to maturity	-	117	(117)	-
Financial investments in funds or portfolio management products at fair value through profit or loss	-	45	(45)	-
Securities available for sale	440	-	440	-
Financial receivables in respect of Spanish electrical system deficit	15	2	13	-
Other financial receivables	2,166	2,171	(5)	-0.2%
Total	**2,621**	**2,335**	**286**	**12.2%**

Securities held to maturity and available for sale, as well as financial investments in funds or portfolio management products, represent the financial instruments in which the Dutch insurance companies invest a portion of their liquidity. During the year, following a new assessment of an investment strategy for those companies involving more active management of the portfolio, the corresponding financial assets were reclassified from "held to maturity" to "available for sale" and measured using the measurement criteria provided for that category. In addition, in view of this choice the Group will apply the tainting rule under IAS 39, i.e. it will not classify financial assets as "held to maturity" for the next two financial years.

"Other financial receivables" decreased by €5 million in 2016 compared with the previous year. The change mainly reflects the following factors:

> an increase of €168 million in the financial receivables from EGPNA REP Wind Holdings related to the financing for development of the new wind farms by the joint venture;
> an increase of €5 million in relation to the receivable resulting from the sale of the 50% interest in Slovak Power Holding. This receivable has been measured at fair value, which was determined based on the pricing formula contained in the agreements with EPH and which takes account of a number of parameters, including the evolution of Slovenské elektrárne net financial position, trends in energy prices on the Slovak market, the levels of operating efficiency of Slovenské elektrárne based on benchmarks established in the agreement, and the enterprise value of Mochovce units 3 and 4;
> a decrease of €87 million in the receivable for CO_2 emissions allowances connected with "new entrant" plants;
> the reclassification to short term of €46 million of the receivable in respect of the Energy & Environmental Services Fund (formerly the Electricity Equalization Fund), the balance of which was €340 million as at December 31, 2016 (compared with €386 million at December 31, 2015), concerning the reimbursement of costs incurred with the early replacement of electromechanical meters;
> the reclassification to short term of €56 million of the receivable in respect of the reimbursement, provided for by the Authority for Electricity, Gas and the Water System in Italy with Resolution 157/2012, of costs incurred with the termination of the Electrical Worker Pension Fund in the total amount of €280 million at December 31, 2016 (€336 million at December 31, 2015).

25. Other non-current assets - *€706 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Receivables from institutional market operators	106	67	39	58.2%
Other receivables	600	810	(210)	-25.9%
Total	**706**	**877**	**(171)**	**-19.5%**

At December 31, 2016, "other receivables" mainly regarded tax receivables in the amount of €301 million (€463 million at December 31, 2015), security deposits in the amount of €157 million (€16 million at the end of 2015), advances to suppliers in the amount of €1 million (€141 million at December 31, 2015), and non-monetary grants to be received in respect of green certificates totaling €51 million (€78 million at December 31, 2015).

The decrease for the year was mainly due to the reimbursement, to Enel SpA, of the receivable (in the amount of €229 million, including both principal and interest) related to the years 2004-2010 from the Italian Revenue Agency for excess income taxes paid due to not deducting a portion of IRAP when calculating corporate income tax rate (IRES).

26. Inventories - *€2,564 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Raw materials, consumables and supplies:				
- fuel	1,119	1,212	(93)	-7.7%
- materials, equipment and other inventories	812	819	(7)	-0.9%
Total	**1,931**	**2,031**	**(100)**	**-4.9%**
Environmental certificates:				
- CO_2 emissions allowances	412	680	(268)	-39.4%
- green certificates	7	78	(71)	-91.0%
- white certificates	-	1	(1)	-
Total	**419**	**759**	**(340)**	**-44.8%**
Buildings available for sale	65	68	(3)	-4.4%
Payments on account	149	46	103	-
TOTAL	**2,564**	**2,904**	**(340)**	**-11.7%**

Raw materials, consumables and supplies, in the amount of €1,931 million at December 31, 2016 (€2,031 million in 2015), consist of fuel inventories to cover the requirements of the generation companies and trading activities, as well as materials and equipment for the operation, maintenance and construction of plants and distribution networks.

The decrease for the year (€340 million) is mainly attributable to the decline in stocks of gas and other fuels, following a decline in average prices, and in stocks of green certificates. The buildings available for sale are related to remaining units from the Group's real estate portfolio and are primarily civil buildings.

27. Trade receivables - *€13,506 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Customers:				
- sale and transport of electricity	10,488	9,603	885	9.2%
- distribution and sale of natural gas	1,645	1,755	(110)	-6.3%
- other activities	1,258	1,396	(138)	-9.9%
Total customer receivables	**13,391**	**12,754**	**637**	**5.0%**
Trade receivables due from associates and joint arrangements	115	43	72	-
Total	**13,506**	**12,797**	**709**	**5.5%**

Trade receivables from customers are recognized net of allowances for doubtful accounts, which totaled €2,027 million at the end of the year, as compared with an opening balance of €2,085 million. More specifically, the increase for the period mainly reflects an increase in revenue from the sale and transport of electricity following the change in payment terms applied to invoices for the electricity transport service, which went into effect on January 1, 2016, in accordance with Resolution 268/2015 of the Authority for Electricity, Gas and the Water System (the Grid Code).

The decrease in other activities reflects an increase in collections in 2016 in respect of fuel sales.

For more details on trade receivables, see note 41 "Financial instruments".

28. Other current financial assets - *€3,053 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Other current financial assets included in net debt	2,924	2,241	683	30.5%
Other	129	140	(11)	-7.9%
Total	**3,053**	**2,381**	**672**	**28.2%**

28.1 Other current financial assets included in net financial debt - *€2,924 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Short-term portion of long-term financial receivables	767	769	(2)	-0.3%
Receivables for factoring	128	147	(19)	-12.9%
Securities measured at FVTPL	1	-	1	-
Securities held to maturity	-	1	(1)	-
Securities available for sale	35	-	35	-
Financial receivables and cash collateral	1,082	1,020	62	6.1%
Other	911	304	607	-
Total	**2,924**	**2,241**	**683**	**30.5%**

"Other current financial assets included in net financial debt" totaled €2,924 million (€2,241 million at December 31, 2015). The change in this aggregate was mainly due to an increase in the financial receivables recognized by Enel Green Power North America on the transfer of the tax benefits received in the United States for the production of renewable energy (specifically concerning the wind-farm projects Lindahl, in the amount of €174 million, and Cimarron Bend II, in the amount of €258 million).

29. Other current assets - *€3,044 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Receivables from institutional market operators	1,025	765	260	34.0%
Advances to suppliers	188	219	(31)	-14.2%
Receivables due from employees	37	26	11	42.3%
Receivables due from others	913	960	(47)	-4.9%
Sundry tax receivables	664		(42)	-5.9%
Accrued operating income and prepaid expenses	146	706	(28)	-16.1%
Revenue for construction contracts	71	48	23	47.9%
Total	**3,044**	**2,898**	**146**	**5.0%**

"Receivables from institutional market operators" include receivables in respect of the Italian system in the amount of €862 million (€664 million at December 31, 2015) and the Spanish system in the amount of €147 million (€101 million at December 31, 2015). The increase for the period was mainly due to the increase in receivables from GSE (Energy Services Operator) for green certificates (€80 million) and the verification of equalization of energy purchases recognized by the Italian company involved in the sale of electricity to customers on the regulated market.
Including the portion of receivables classified as long term in the amount of €106 million (€67 million in 2015), receivables due from institutional market operators at December 31, 2016 totaled €1,131 million (€832 million at December 31, 2015), with payables of €4,966 million (€5,122 million at December 31, 2015).

30. Cash and cash equivalents - *€8,290 million*

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €52 million essentially in respect of deposits pledged to secure transactions carried out.

Millions of euro

	at Dec. 31, 2016
Bank and post office deposits	7,777
Cash and cash equivalents on hand	298
Other liquid investments	215
Total	**8,290**

31. Assets and disposal groups classified as held for sale - *€11 million and €0 million*

Changes in assets held for sale during 2016 can be broken down as follows.

Millions of euro

	at Dec. 31, 2015	Reclassification between current and non-current assets	Disposals and change in scope of consolidation	Impairment losses	Other changes	**at Dec. 31, 2016**
Property, plant and equipment	3,744	10	(3,920)	(74)	246	6
Intangible assets	7	15	(20)	-	(2)	-
Deferred tax assets	1,066	8	(1,085)	-	11	-
Investments accounted for using the equity method	209	-	(192)	-	(17)	-
Non-current financial assets	1,066	-	(1,107)	-	46	5
Other non-current assets	18	-	(18)	-	-	-
Cash and cash equivalents	150	8	(124)	-	(34)	-
Current financial assets	111	-	(150)	-	39	-
Inventories, trade receivables, and other current assets	483	12	(593)	-	98	-
Total	**6,854**	**53**	**(7,209)**	**(74)**	**387**	**11**

Assets held for sale totaled €11 million at December 31, 2016, and included minor assets, all of limited significance.

At December 31, 2015, they included the assets of Slovenské elektrárne (€6,549 million), Hydro Dolomiti Enel (€189 million), Compostilla RE (€111 million), and other minor companies which, in view of the decisions taken by management, met the requirements of IFRS 5 for classification as assets held for sale.

Liabilities held for sale were practically eliminated during 2016 following completion of the disposals described above, i.e. of Slovenské elektrárne (€5,335 million) and Compostilla RE (€29 million).

The changes in 2016 in these liabilities are detailed below.

Millions of euro

	at Dec. 31, 2015	Reclassification between current and non-current assets	Disposals and change in scope of consolidation	Other changes	**at Dec. 31, 2016**
Long-term borrowings	1,701	-	(1,198)	(503)	-
Post-employment and other employee benefits	68	1	(68)	(1)	-
Provisions for risks and charges, non-current portion	1,867	-	(1,919)	52	-
Deferred tax liabilities	639	-	(639)	-	-
Non-current financial liabilities	231	-	(231)	-	-
Other non-current liabilities	2	-	(2)	-	-
Short-term borrowings	339	16	(1,141)	786	-
Other current financial liabilities	111	-	(110)	(1)	-
Provisions for risks and charges, current portion	19	1	(26)	6	-
Trade payables and other current liabilities	387	12	(440)	41	-
Total	**5,364**	**30**	**(5,774)**	**380**	**-**

32. Shareholders' equity - *€52,575 million*

32.1 Equity attributable to shareholders of the Parent Company - *€34,803 million*

Share capital - *€10,167 million*

At December 31, 2016, the share capital of Enel SpA – considering that as at December 31, 2015 there were no approved stock option plans (and thus no options exercised) – amounted to €10,166,679,946 fully subscribed and paid up, represented by 10,166,679,946 ordinary shares with a par value of €1.00 each.

This represents an increase of €763,322,151 compared with the previous amount of €9,403,357,795 at December 31, 2015, as a result of the partial, non-proportional demerger of the subsidiary Enel Green Power to Enel SpA effective as of March 31, 2016.

At December 31, 2016, based on the shareholders register and the notices submitted to CONSOB and received by the Company pursuant to Article 120 of Legislative Decree 58 of February 24, 1998, as well as other available information, the only shareholders with interests of greater than 3% in the Company's share capital were the Ministry for the Economy and Finance (with a 23.585% stake) and BlackRock Inc. (with a 5.049% stake held at November 30, 2016 through subsidiaries for asset management purposes).

Other reserves - *€5,152 million*

Share premium reserve - *€7,489 million*

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve contains, in the case of the issue of shares at a price above par, the difference between the issue price of the shares and their par value, including those resulting from conversion from bonds. The reserve, which is a capital reserve, may not be distributed until the legal reserve has reached the threshold established under Article 2430 of the Italian Civil Code. The change of €2,197 million in the period reflected the capital increase noted above and includes transaction costs net of the associated tax effect of €15 million.

Legal reserve - *€2,034 million*

The legal reserve is formed of the part of net income that, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends.

Other reserves - *€2,262 million*

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company. Pursuant to Article 47 of the Uniform Income Tax Code, this amount does not constitute taxable income when distributed.

Reserve from translation of financial statements in currencies other than euro - *€(1,005) million*

The increase for the year, equal to €951 million, is due to the net depreciation of the functional currency against the foreign currencies used by subsidiaries, as well to the change in the scope of consolidation, with a negative effect of €17 million, following the disposal of 50% of Slovak Power Holding, which in turn holds 66% of Slovenské elektrárne, and the acquisition of 31.71% of Enel Green Power SpA in the partial non-proportional demerger, which gave rise to a change in the Group's interests in companies using currencies other than the euro.

Reserve from measurement of cash flow hedge financial instruments - *€(1,448) million*

This includes the net charges recognized in equity from the measurement of cash flow hedge derivatives. The cumulative tax effect is equal to €355 million.

Reserve from measurement of financial instruments available for sale - *€106 million*

This includes net unrealized income from the measurement at fair value of financial assets.

Reserve from equity investments accounted for using the equity method - *€(12) million*

The reserve reports the share of comprehensive income to be recognized directly in equity of companies accounted for using the equity method. The cumulative tax effect is equal to €19 million.

Reserve from remeasurement of net defined benefit plan liabilities/(assets) - *€(706) million*

The reserve includes all actuarial gains and losses, net of tax effects. The change is attributable to the decrease in net actuarial losses recognized during the period, mainly reflecting changes in the discount rate. The cumulative tax effect is equal to €112 million.

Reserve from disposal of equity interests without loss of control - *€(2,398) million*

This item mainly reports:

> the gain posted on the public offering of Enel Green Power shares, net of expenses associated with the disposal and the related taxation;
> the sale of minority interests recognized as a result of the Enersis capital increase;
> the capital loss, net of expenses associated with the disposal and the related taxation, from the public offering of 21.92% of Endesa;
> the income from the disposal of the minority interest in Enel Green Power North America Renewable Energy Partners.

The change for the period, a negative €283 million, represents the net balance between the effects of the merger into Enel Américas of Endesa Américas and Chilectra Américas and the disposal to third parties of a minority interest without loss of control in Enel Green Power North America Renewable Energy Partners.

Reserve from transactions in non-controlling interests - *€(1,170) million*

The reserve reports the amount by which the purchase price in purchases from third parties of additional stakes in companies already controlled in Latin America (generated in previous years by the purchase of additional stakes in Ampla Energia e Serviços, Ampla Investimentos e Serviços, Eléctrica Cabo Blanco, Coelce, Generandes Perú, Enersis and Endesa Latinoamérica) exceeds the value of the equity acquired. The change for the period regards the difference between the share of equity acquired from non-controlling shareholders of Enel Green Power SpA and the purchase price.

Retained earnings and loss carried forward - *€19,484 million*

The reserve reports earnings from previous years that have not been distributed or allocated to other reserves.

The table below shows the changes in gains and losses recognized directly in other comprehensive income, including non-controlling interests, with specific reporting of the related tax effects.

Millions of euro

	at Dec. 31, 2015			Change						**at Dec. 31, 2016**		
	Total	*Of which shareholders of the Parent Company*	*Of which non-controlling interests*	Gains/(Losses) recognized in equity for the year	Released to income statement	Taxes	**Total**	*Of which shareholders of the Parent Company*	*Of which non-controlling interests*	**Total**	*Of which shareholders of the Parent Company*	*Of which non-controlling interests*
Reserve from translation of financial statements in currencies other than euro	**(4,855)**	*(1,956)*	*(2,899)*	1,952	-	-	**1,952**	*968*	*984*	**(2,903)**	*(988)*	*(1,915)*
Reserve from measurement of cash flow hedge financial instruments	**(1,697)**	*(1,341)*	*(356)*	(1,243)	1,275	(66)	**(34)**	*(97)*	*63*	**(1,731)**	*(1,438)*	*(293)*
Reserve from measurement of financial instruments available for sale	**129**	*130*	*(1)*	(14)	(6)	(4)	**(24)**	*(24)*	-	**105**	*106*	*(1)*
Share of OCI of associates accounted for using the equity method	**(44)**	*(54)*	*10*	(28)	10	-	**(18)**	*(7)*	*(11)*	**(62)**	*(61)*	*(1)*
Remeasurements of net employee benefit liabilities/(assets)	**(688)**	*(551)*	*(137)*	(296)	-	57	**(239)**	*(173)*	*(66)*	**(927)**	*(724)*	*(203)*
Total gains/(losses) recognized in equity	**(7,155)**	***(3,772)***	***(3,383)***	**371**	**1,279**	**(13)**	**1,637**	***667***	***970***	**(5,518)**	***(3,105)***	***(2,413)***

32.2 Dividends

	Amount distributed (millions of euro)	Dividend per share (euro)
Net dividends paid in 2015		
Dividends for 2014	1,316	0.14
Interim dividends for 2015	-	-
Special dividends	-	-
Total dividends paid in 2015	**1,316**	**0.14**
Net dividends paid in 2016		
Dividends for 2015	1,627	0.16
Interim dividends for 2016	-	-
Special dividends	-	-
Total dividends paid in 2016	**1,627**	**0.16**

In accordance with the decision of November 10, 2016, of the Board of Directors, as from 2016, Enel has adopted a policy providing for the payment of interim dividends, with the intention of optimizing shareholder remuneration: at that meeting, the Board approved the distribution of an interim dividend of €0.09 per share, for a total of €915 million. That interim dividend, gross of any withholding tax, was paid as of January 25, 2017, with an ex-dividend date for coupon no. 25 of January 23, 2017 and a record date of January 24, 2017.

Capital management

The Group's objectives for managing capital comprise safeguarding the business as a going concern, creating value for stakeholders and supporting the development of the Group. In particular, the Group seeks to maintain an adequate capitalization that enables it to achieve a satisfactory return for shareholders and ensure access to external sources of financing, in part by maintaining an adequate rating.

In this context, the Group manages its capital structure and adjusts that structure when changes in economic conditions so require. There were no substantive changes in objectives, policies or processes in 2016.

To this end, the Group constantly monitors developments in the level of its debt in relation to equity. The situation at December 31, 2016 and 2015 is summarized in the following table.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Non-current financial position	41,336	44,872	(3,536)
Net current financial position	(1,162)	(4,992)	3,830
Non-current financial receivables and long-term securities	(2,621)	(2,335)	(286)
Net financial debt ("debt")	**37,553**	**37,545**	**8**
Equity attributable to shareholders of the Parent Company	34,803	32,376	2,427
Non-controlling interests	17,772	19,375	(1,603)
Shareholders' equity ("equity")	**52,575**	**51,751**	**824**
Debt/equity ratio	**0.71**	**0.73**	**-**

32.3 Non-controlling interests - *€17,772 million*

The following table reports the composition of non-controlling interests by Division.

Millions of euro	**Non-controlling interests**		**Net income attributable to non-controlling interests**	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Endesa Group	6,958	6,742	352	280
Enel Latinoamérica Group	9,233	8,052	659	1,032
Enel Investment Holding Group	1,011	803	73	(275)
Slovenské elektrárne Group	-	386	(2)	(3)
Enel Green Power Group	570	3,392	135	142
Total	**17,772**	**19,375**	**1,217**	**1,176**

The decrease in non-controlling interests reflects the non-proportional demerger of Enel Green Power SpA, with which the Group increased its interest in the company from 68.29% to 100%, and the disposal of 50% of Slovak Power Holding, which in turn holds 66% of Slovenské elektrárne, leading to the loss of control and measurement of the company using the equity method.

33. Borrowings

Millions of euro	Non-current		Current	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Long-term borrowings	41,336	44,872	4,384	5,733
Short-term borrowings	-	-	5,372	2,155
Total	**41,336**	**44,872**	**9,756**	**7,888**

For more details on the nature of borrowings, please see note 41 “Financial instruments”.

34. Employee benefits - *€2,585 million*

The Group provides its employees with a variety of benefits, including deferred compensation benefits, additional months' pay for having reached age limits or eligibility for old-age pension, loyalty bonuses for achievement of seniority milestones, supplemental retirement and healthcare plans, residential electricity discounts and similar benefits. More specifically:

> for Italy, the item "pension benefits" regards estimated accruals made to cover benefits due under the supplemental retirement schemes of retired executives and the benefits due to personnel under law or contract at the time the employment relationship is terminated. For the foreign companies, the item reports post-employment benefits, of which the most material regard the pension benefit schemes of Endesa in Spain, which break down into three types that differ on the basis of employee seniority and company. In general, under the framework agreement of October 25, 2000, employees participate in a specific defined contribution pension plan and, in cases of disability or death of employees in service, a defined benefit plan which is covered by appropriate insurance policies. In addition, Endesa has two other limited-enrollment plans (i) for current and retired Endesa employees covered by the electricity industry collective bargaining agreement prior to the changes introduced with the framework agreement noted earlier and (ii) for employees of the former Catalan companies (Fecsa/Enher/HidroEmpordà). Both are defined benefit plans and benefits are fully ensured, with the exception of the former plan for benefits in the event of the death of a retired employee. Finally, the Brazilian companies have also established defined benefit plans;

> the item "electricity discount" comprises benefits regarding electricity supply associated with foreign companies. For Italy, that benefit, which was granted until the end of 2015 to retired employees only, was unilaterally cancelled;

> the item "health insurance" reports benefits for current or retired employees covering medical expenses;

> the item "other benefits" mainly regards the loyalty bonus, which is adopted in various countries and for Italy is represented by the estimated liability for the benefit entitling employees covered by the electricity workers national collective bargaining agreement to a bonus for achievement of seniority milestones (25th and 35th year of service). It also includes other incentive plans, which provide for the award to certain company managers of a monetary bonus subject to specified conditions.

The following table reports changes in the defined benefit obligation for post-employment and other long-term employee benefits at December 31, 2016 and December 31, 2015, respectively, as well as a reconciliation of that obligation with the actuarial liability.

Millions of euro	2016				
	Pension benefits	Electricity discount	Health insurance	Other benefits	**Total**
CHANGES IN ACTUARIAL OBLIGATION					
Actuarial obligation at the start of the year	**2,126**	**724**	**202**	**285**	**3,337**
Current service cost	14	4	5	50	**73**
Interest expense	108	19	11	7	**145**
Actuarial (gains)/losses arising from changes in demographic assumptions	2	-	(2)	1	**1**
Actuarial (gains)/losses arising from changes in financial assumptions	221	96	20	10	**347**
Experience adjustments	9	22	(4)	(14)	**13**
Past service cost	1	-	1	1	**3**
(Gains)/Losses arising from settlements	2	-	-	-	**2**
Exchange differences	126	1	14	6	**147**
Employer contributions	-	-	-	-	**-**
Employee contributions	1	-	-	-	**1**
Benefits paid	(194)	(28)	(14)	(62)	**(298)**
Other changes	24	3	4	1	**32**
Liabilities classified as held for sale	-	-	-	-	**-**
Actuarial obligation at year end (A)	**2,440**	**841**	**237**	**284**	**3,802**
CHANGES IN PLAN ASSETS					
Fair value of plan assets at the start of the year	**1,110**	**-**	**-**	**-**	**1,110**
Interest income	75	-	-	-	**75**
Expected return on plan assets excluding amounts included in interest income	40	-	-	-	**40**
Exchange differences	104	-	-	-	**104**
Employer contributions	136	28	14	22	**200**
Employee contributions	1	-	-	-	**1**
Benefits paid	(194)	(28)	(14)	(22)	**(258)**
Other payments	-	-	-	-	**-**
Change in the scope of consolidation	-	-	-	-	**-**
Fair value of plan assets at year end (B)	**1,272**	**-**	**-**	**-**	**1,272**
EFFECT OF ASSET CEILING					
Asset ceiling at the start of the year	**57**	**-**	**-**	**-**	**57**
Interest income	5	-	-	-	**5**
Changes in asset ceiling	(20)	-	-	-	**(20)**
Exchange differences	13	-	-	-	**13**
Change in the scope of consolidation	-	-	-	-	**-**
Asset ceiling at year end (C)	**55**	**-**	**-**	**-**	**55**
Net liability in balance sheet (A-B+C)	**1,223**	**841**	**237**	**284**	**2,585**

	2015			
Pension benefits	Electricity discount	Health insurance	Other benefits	**Total**
2,458	**1,927**	**223**	**263**	**4,871**
24	6	5	54	**89**
106	41	10	8	**165**
1	-	-	-	**1**
(124)	(66)	(8)	4	**(194)**
10	(196)	2	4	**(180)**
(43)	-	-	(5)	**(48)**
1	(902)	-	-	**(901)**
(157)	(1)	(17)	(6)	**(181)**
-	-	-	-	**-**
1	-	-	-	**1**
(154)	(88)	(13)	(39)	**(294)**
4	3	-	2	**9**
(1)	-	-	-	**(1)**
2,126	**724**	**202**	**285**	**3,337**
1,252	**-**	**-**	**-**	**1,252**
68	-	-	-	**68**
(30)	-	-	-	**(30)**
(125)	-	-	-	**(125)**
98	88	13	24	**223**
1	-	-	-	**1**
(154)	(88)	(13)	(24)	**(279)**
-	-	-	-	**-**
-	-	-	-	**-**
1,110	**-**	**-**	**-**	**1,110**
68	**-**	**-**	**-**	**68**
5	-	-	-	**5**
2	-	-	-	**2**
(18)	-	-	-	**(18)**
-	-	-	-	**-**
57	**-**	**-**	**-**	**57**
1,073	**724**	**202**	**285**	**2,284**

Millions of euro

	2016	2015
(Gains)/Losses charged to profit or loss		
Service cost and past service cost	34	(5)
Net interest expense	78	102
(Gains)/Losses arising from settlements	2	(901)
Actuarial (gains)/losses on other long-term benefits	42	46
Other changes	(4)	1
Total	**152**	**(757)**

Millions of euro

	2016	2015
Change in (gains)/losses in OCI		
Return on plan assets excluding amounts included in interest income	(40)	30
Actuarial (gains)/losses on defined benefit plans	365	(374)
Changes in asset ceiling excluding amounts included in interest income	(20)	2
Other changes	(9)	(2)
Total	**296**	**(344)**

The change in cost recognized through profit or loss, equal to €909 million, is mainly attributable to the cancellation in 2015, for the Italian companies only, of the electricity discount benefit for former Group employees, which involved the reversal of the associated liability.
In addition, the supplemental provisions of the union agreements implementing the new plan under Article 4 of the Fornero Act established in December 2015 prompted an adjustment of the liability in respect of other employee benefit plans.
The liability recognized in the balance sheet at the end of the year is reported net of the fair value of plan assets, amounting to €1,272 million at December 31, 2016. Those assets, which are entirely in Spain and Brazil, break down as follows.

	2016	2015
Investments quoted in active markets		
Equity instruments	2%	4%
Fixed-income securities	35%	25%
Investment property	5%	4%
Other	1%	1%
Unquoted investments		
Assets held by insurance undertakings	-	-
Other	57%	67%
Total	**100%**	**100%**

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits and the plan assets, which are consistent with those used the previous year, are set out in the following table.

	Italy	Iberia	Latin America	Other	Italy	Iberia	Latin America	Other
		2016				2015		
Discount rate	0.30%-1.40%	0.64%-1.75%	4.70%-12.31%	1.40%-8.36%	0.50%-2.15%	1.17%-2.56%	4.95%-14.21%	2.03%-9.72%
Inflation rate	1.40%	2.00%	3.00%-6.00%	1.40%-4.84%	1.60%	2.00%	3.00%-6.50%	1.50%-5.50%
Rate of wage increases	1.40%-3.40%	2.00%	3.00%-9.19%	2.90%-4.84%	1.60%-3.60%	2.00%	3.00%-9.69%	2.00%-5.50%
Rate of increase in healthcare costs	2.40%	3.20%	3.50%-9.19%	-	2.60%	3.20%	4.20%-9.69%	-
Expected rate of return on plan assets	-	1.74%	12.20%-12.31%	-	-	2.54%	14.18%-14.21%	-

The following table reports the outcome of a sensitivity analysis that demonstrates the effects on the defined benefit obligation of changes reasonably possible at the end of the year in the actuarial assumptions used in estimating the obligation.

Millions of euro	Pension benefits	Electricity discount	Health insurance	Other benefits	Pension benefits	Electricity discount	Health insurance	Other benefits
		at Dec. 31, 2016				at Dec. 31, 2015		
Decrease of 0.5% in discount rate	159	75	12	4	131	60	12	4
Increase of 0.5% in discount rate	(136)	(69)	(15)	(10)	(116)	(54)	(12)	(10)
Increase of 0.5% in inflation rate	30	74	2	2	33	59	8	4
Decrease of 0.5% in inflation rate	(20)	(67)	(18)	(10)	(26)	(38)	(9)	(7)
Increase of 0.5% in remuneration	8	-	-	1	8	-	-	2
Increase of 0.5% in pensions currently being paid	12	-	-	(3)	11	-	-	(3)
Increase of 1% in healthcare costs	-	-	20	-	-	-	20	-
Increase of 1 year in life expectancy of active and retired employees	50	12	5	(3)	47	24	3	(2)

The sensitivity analysis used an approach that extrapolates the effect on the defined benefit obligation of reasonable changes in an individual actuarial assumption, leaving the other assumptions unchanged.

The contributions expected to be paid into defined benefit plans in the subsequent year amount to €26 million.

The following table reports expected benefit payments in the coming years for defined benefit plans.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015
Within 1 year	204	201
In 1-2 years	186	211
In 2-5 years	589	601
More than 5 years	1,058	944

35. Provisions for risks and charges - *€6,414 million*

Millions of euro

	at Dec. 31, 2016		at Dec. 31, 2015	
	Non-current	Current	Non-current	Current
Provision for litigation, risks and other charges:				
- nuclear decommissioning	567	-	528	-
- retirement, removal and site restoration	754	35	611	11
- litigation	698	36	762	47
- environmental certificates	-	7	-	19
- taxes and duties	290	56	290	20
- other	770	859	819	1,062
Total	**3,079**	**993**	**3,010**	**1,159**
Provision for early retirement incentives	1,902	440	2,182	471
TOTAL	**4,981**	**1,433**	**5,192**	**1,630**

Millions of euro		Accruals	Reversals	Utilization	Unwinding of interest	Change in the scope of consolidation	Translation adjustment	Other	
	at Dec. 31, 2015								**at Dec. 31, 2016**
Provision for litigation, risks and other charges:									
- nuclear decommissioning	528	-	-	-	6	-	-	33	567
- retirement, removal and site restoration	622	183	(18)	(24)	8	(13)	11	20	789
- litigation	809	169	(222)	(110)	49	1	39	(1)	734
- environmental certificates	19	7	(7)	(12)	-	-	-	-	7
- taxes and duties	310	94	(28)	(32)	3	-	4	(5)	346
- other	1,881	389	(165)	(550)	98	9	15	(48)	1,629
Total	**4,169**	**842**	**(440)**	**(728)**	**164**	**(3)**	**69**	**(1)**	**4,072**
Provision for early retirement incentives	2,653	214	(13)	(464)	67	3	-	(117)	2,342
TOTAL	**6,822**	**1,056**	**(453)**	**(1,192)**	**231**	**-**	**69**	**(118)**	**6,414**

Nuclear decommissioning provision

At December 31, 2016, the provision reflected solely the costs that will be incurred at the time of decommissioning of nuclear plants by Endesa in respect of Enresa, a Spanish public enterprise responsible for such activities in accordance with Royal Decree 1349/2003 and Law 24/2005. Quantification of the costs is based on the standard contract between Endesa and the electricity companies approved by the Ministry for the Economy in September 2001, which regulates the retirement and closing of nuclear power plants. The time horizon envisaged, three years, corresponds to the period from the termination of power generation to the transfer of plant management to Enresa (so-called post-operational costs) and takes into account, among the various assumptions used to estimate the amount, the quantity of unused nuclear fuel expected at the date of closure of each of the Spanish nuclear plants on the basis of the provisions of the concession agreement.

Non-nuclear plant retirement and site restoration provision

The provision for non-nuclear plant retirement and site restoration represents the present value of the estimated cost for the retirement and removal of non-nuclear plants where there is a legal or constructive obligation to do so.

Litigation provision

The "litigation" provision covers contingent liabilities in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The estimates are based on the opinions of internal and external legal counsel. The balance for litigation mainly regards disputes concerning service quality and disputes with employees, end users or suppliers of the companies in Spain (€235 million), Italy (€219 million) and Brazil (€199 million).

The reduction compared with the previous year, equal to €75 million, mainly reflects the reversal of the provision for the SAPE dispute (€80 million) following the favorable arbitration ruling.

Provision for environmental certificates

The provision for environmental certificates covers costs in respect of shortfalls in the environmental certificates need for compliance with national or supranational environmental protection requirements.

Other provisions

"Other" provisions cover various risks and charges, mainly in connection with regulatory disputes and disputes with local authorities regarding various duties and fees or other charges.

The change of €252 million for the year is mainly due to the use and reversal (for non-participants) of the provision (€328 million) recognized by the Italian companies in 2015 to cover the charge for the one-off indemnity granted to former employees following the Group's unilateral revocation of the electricity discount benefit.

In addition, the balance for other provisions for risks and charges also includes the provision for current and potential disputes concerning local property tax – whether the *Imposta Comunale sugli Immobili* ("ICI") or the new *Imposta Municipale Unica* ("IMU") – in Italy. The Group has taken due account of the criteria introduced with circular no. 6/2012 of the Public Land Agency (which resolved interpretive issues concerning the valuation methods for movable assets considered relevant for property registry purposes, including certain assets typical to generation plants, such as turbines) in estimating the liability for such taxes, both for the purposes of quantifying the probable risk associated with pending litigation and generating a reasonable valuation of probable future charges on positions that have not yet been assessed by Land Agency offices and municipalities.

Provision for early retirement incentives

The provision for early retirement incentives includes the estimated charges related to binding agreements for the voluntary termination of employment contracts in response to organizational needs. The change for the year reflects, among other factors, uses for incentive provisions established in Spain and Italy in previous years.

In Italy, the latter is largely associated with the union-company agreements signed in September 2013 and December 2015, implementing, for a number of companies

in Italy, the mechanism provided for under Article 4, paragraphs 1-7 *ter*, of Law 92/2012 (the Fornero Act). The latter agreement envisages the voluntary termination, in Italy, of about 6,100 employees in 2016-2020.
In Spain, the provisions regard the expansion, in 2015, of the *Acuerdo de Salida Voluntaria* (ASV) introduced in Spain in 2014. The ASV mechanism was agreed in Spain in connection with Endesa's restructuring and reorganization plan, which provides for the suspension of the employment contract with tacit annual renewal. With regard to that plan, on December 30, 2014, the company had signed an agreement with union representatives in which it undertook to not exercise the option to request a return to work at subsequent annual renewal dates for the employees participating in the mechanism.

36. Other non-current liabilities - *€1,856 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Accrued operating expenses and deferred income	973	966	7	0.7%
Other items	883	583	300	51.5%
Total	**1,856**	**1,549**	**307**	**19.8%**

At December 31, 2016 the item was essentially accounted for by revenue for electricity and gas connections and grants received in respect of specific assets. The increase in "other items" mainly regarded an increase in a number of regulatory liabilities in Argentina and Brazil, totaling €113 million, and the reclassification from the early retirement incentive provision of amounts to be paid to employees who terminated their employment in implementation of the provisions of Article 4 of Law 92/2012 (€87 million net of payments made).

37. Trade payables - *€12,688 million*

The item amounted to €12,688 million (€11,775 million in 2015) and includes payables in respect of electricity supplies, fuel, materials, equipment associated with tenders and other services.
More specifically, trade payables falling due in less than 12 months amounted to €12,230 million (€11,261 million in 2015), while those falling due in more than 12 months amounted to €458 million (€514 million in 2015).

38. Other current financial liabilities - *€1,264 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Deferred financial liabilities	842	957	(115)	-12.0%
Other items	422	106	316	-
Total	**1,264**	**1,063**	**201**	**18.9%**

The increase in other current financial liabilities reflects an increase in financial debt as a result of the change in the method used to finance the rate deficit in the Spanish electrical system following the amendment of the regulatory framework of the electrical system begun in 2013 and completed in 2014.
"Deferred financial liabilities" regard accrued expense on bonds.

39. Net financial position and long-term financial receivables and securities - *€37,553 million*

The following table shows the net financial position and long-term financial receivables and securities on the basis of the items on the consolidated balance sheet.

Millions of euro

	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015	Change	
Long-term borrowings	41	41,336	44,872	(3,536)	-7.9%
Short-term borrowings	41	5,372	2,155	3,217	-
Other current financial payables (1)		296	-	296	-
Current portion of long-term borrowings	41	4,384	5,733	(1,349)	-23.5%
Non-current financial assets included in debt	24	(2,621)	(2,335)	(286)	12.2%
Current financial assets included in debt	28	(2,924)	(2,241)	(683)	30.5%
Cash and cash equivalents	30	(8,290)	(10,639)	2,349	22.1%
Total		**37,553**	**37,545**	**8**	**-**

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

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at December 31, 2016, and December 31, 2015, reconciled with net financial debt as provided for in the presentation methods of the Enel Group.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Cash and cash equivalents on hand	298	582	(284)	-48.8%
Bank and post office deposits	7,777	10,057	(2,280)	-22.7%
Other investments of liquidity	215	-	215	-
Securities	36	1	35	-
Liquidity	**8,326**	**10,640**	**(2,314)**	**-21.7%**
Short-term financial receivables	1,993	1,324	669	50.5%
Factoring receivables	128	147	(19)	-12.9%
Short-term portion of long-term financial receivables	767	769	(2)	-0.3%
Current financial receivables	**2,888**	**2,240**	**648**	**28.9%**
Short-term bank debt	(909)	(180)	(729)	-
Commercial paper	(3,059)	(213)	(2,846)	-
Short-term portion of long-term bank debt	(749)	(844)	95	-11.3%
Bonds issued (short-term portion)	(3,446)	(4,570)	1,124	24.6%
Other borrowings (short-term portion)	(189)	(319)	130	40.8%
Other current financial payables (1)	(1,700)	(1,762)	62	-3.5%
Total short-term financial debt	**(10,052)**	**(7,888)**	**(2,164)**	**-27.4%**
Net short-term financial position	**1,162**	**4,992**	**(3,830)**	**-76.7%**
Debt to banks and financing entities	(7,446)	(6,863)	(583)	-8.5%
Bonds	(32,401)	(35,987)	3,586	10.0%
Other borrowings	(1,489)	(2,022)	533	26.4%
Long-term financial position	**(41,336)**	**(44,872)**	**3,536**	**7.9%**
NET FINANCIAL POSITION as per CONSOB instructions	**(40,174)**	**(39,880)**	**(294)**	**-0.7%**
Long-term financial receivables and securities	**2,621**	**2,335**	**286**	**12.2%**
NET FINANCIAL DEBT	**(37,553)**	**(37,545)**	**(8)**	**-**

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

40. Other current liabilities - *€12,141 million*

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Payables due to customers	1,785	1,567	218	13.9%
Payables due to institutional market operators	4,617	4,879	(262)	-5.4%
Payables due to employees	436	459	(23)	-5.0%
Other tax payables	1,071	990	81	8.2%
Payables due to social security institutions	215	216	(1)	-0.5%
Contingent consideration	85	36	49	-
Payables for put options granted to minority shareholders	403	793	(390)	-49.2%
Current accrued expenses and deferred income	325	294	31	10.5%
Payables for acquisition of equity investments	-	-	-	-
Liabilities for construction contracts	358	347	11	3.2%
Other	2,846	1,641	1,205	73.4%
Total	**12,141**	**11,222**	**919**	**8.2%**

"Payables due to customers" include €1,038 million (€1,066 million at December 31, 2015) in security deposits related to amounts received from customers in Italy as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the Company does not have an unconditional right to defer repayment beyond 12 months.

"Payables due to institutional market operators" include payables arising from the application of equalization mechanisms to electricity purchases on the Italian market amounting to €3,069 million (€3,439 million at December 31, 2015), on the Spanish market amounting to €1,285 million (€1,392 million at December 31, 2015) and on the Latin American market amounting to €263 million (€48 million at December 31, 2015).

"Contingent consideration" regards a number of investees held by the Group in North America whose fair value was determined on the basis of the terms and conditions of the contractual agreements between the parties.

The item "payables for put options granted to minority shareholders" at December 31, 2016 includes the liability in respect of Enel Distributie Muntenia and Enel Energie Muntenia in the total amount of €401 million (€778 million at December 31, 2015). The decline in the period mainly reflects the writedown of €48 million in the liability in respect of the put option on 13.6% as a result of the ruling in the international arbitration proceeding with SAPE, which was completed in February 2017, and €329 million in respect of the 10% reduction in the Group's interest following the cessation of the right of former employees to exercise the tag-along right connected with the put option following further legal analysis supported by external legal counsel.

41. Financial instruments

This note provides disclosures necessary for users to assess the significance of financial instruments for the Company's financial position and performance.

41.1 Financial assets by category

The following table reports the carrying amount for each category of financial asset provided for under IAS 39, broken down into current and non-current financial assets, showing hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro		Non-current		Current	
	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Loans and receivables	41.1.1	**2,181**	**2,173**	**24,684**	**25,676**
Available-for-sale financial assets	41.1.2	**1,658**	**868**	**35**	**-**
Financial assets held to maturity	41.1.3	**-**	**117**	**-**	**1**
Financial assets at fair value through profit or loss					
Financial assets designated upon initial recognition (fair value option)	41.1.4	-	45	-	-
Derivative financial assets at FVTPL	41.1.4	21	13	3,027	4,466
Other financial assets held for trading	41.1.4	-	-	1	-
Total financial assets at fair value through profit or loss		**21**	**58**	**3,028**	**4,466**
Derivative financial assets designated as hedging instruments					
Fair value hedge derivatives	41.1.5	36	46	1	-
Cash flow hedge derivatives	41.1.5	1,552	2,284	917	607
Total derivative financial assets designated as hedging instruments		**1,588**	**2,330**	**918**	**607**
TOTAL		**5,448**	**5,546**	**28,665**	**30,750**

For more information on fair value measurement, please see note 45 "Assets measured at fair value".

41.1.1 Loans and receivables

The following table shows loans and receivables by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current			Current	
	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015
Cash and cash equivalents		-	-	30	8,290	10,639
Trade receivables	27	-	-	27	13,506	12,797
Short-term portion of long-term financial receivables		-	-	28.1	767	769
Receivables for factoring		-	-	28.1	128	147
Cash collateral		-	-	28.1	1,082	1,020
Other financial receivables	24.1	2,181	2,173	28.1	911	304
Total		**2,181**	**2,173**		**24,684**	**25,676**

Trade receivables from customers at December 31, 2016 amounted to €13,506 million (€12,797 million at December 31, 2015) and are recognized net of allowances for impairment losses, which amounted to €2,028 million at the end of the year, compared with the opening balance of €2,085 million.

The table below shows impairment losses on trade receivables.

Millions of euro	**at Dec. 31, 2016**	at Dec. 31, 2015
Trade receivables		
Gross value	15,534	14,882
Allowances for impairment	(2,028)	(2,085)
Net value	**13,506**	**12,797**

The table below shows changes in these allowances during the year.

Millions of euro	
Opening balance at January 1, 2015	**1,662**
Charge for the year	992
Utilized	(546)
Unused amounts reversed	(178)
Other changes	155
Closing balance at December 31, 2015	**2,085**
Opening balance at January 1, 2016	**2,085**
Charge for the year	873
Utilized	(548)
Unused amounts reversed	(151)
Other changes	(231)
Closing balance at December 31, 2016	**2,028**

Note 42 "Risk management" provides additional information on the ageing of receivables past due but not impaired.

41.1.2 Financial assets available for sale

The following table shows available-for-sale financial assets by nature, broken down into current and non-current financial assets.

Millions of euro	Non-current			Current		
	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015
Equity investments in other companies	24	196	237	24	-	-
Available-for-sale securities	24.1	440	-	28.1	35	-
Service concession arrangements	24	1,022	631		-	-
Total		**1,658**	**868**		**35**	**-**

Changes in financial assets available for sale

Millions of euro	Non-current	Current
Opening balance at January 1, 2016	**868**	**-**
Increases	1,096	-
Decreases	(17)	-
Changes in fair value through OCI	(36)	-
Reclassifications	218	23
Other changes	(471)	12
Closing balance at December 31, 2016	**1,658**	**35**

41.1.3 Financial assets held to maturity

At December 31, 2016 financial assets held to maturity amounted to zero. The decrease compared with the previous year essentially reflects the reduction of €117 million in non-current securities held by Enel Insurance.

41.1.4 Financial assets at fair value through profit or loss

The following table shows financial assets at fair value through profit or loss by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current			Current	
	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015
Derivatives at FVTPL	44	**21**	**13**	44	**3,027**	**4,466**
Securities held for trading		-	-	24.1	1	-
Financial investments in funds	24.1	-	45		-	-
Total financial assets designated upon initial recognition (fair value option)		**-**	**45**		**-**	**-**
TOTAL		**21**	**58**		**3,028**	**4,466**

41.1.5 Derivative financial assets designated as hedging instruments

For more information on derivative financial assets, please see note 44 "Derivatives and hedge accounting".

41.2 Financial liabilities by category

The following table shows the carrying amount for each category of financial liability provided for under IAS 39, broken down into current and non-current financial liabilities, showing hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro		Non-current		Current	
	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Financial liabilities measured at amortized cost	41.2.1	**41,336**	**44,872**	**22,444**	**19,663**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities at FVTPL	44	22	41	3,016	4,734
Total financial liabilities at fair value through profit or loss		**22**	**41**	**3,016**	**4,734**
Derivative financial liabilities designated as hedging instruments					
Fair value hedge derivatives	44	15	-	1	-
Cash flow hedge derivatives	44	2,495	1,477	305	775
Total derivative financial liabilities designated as hedging instruments		**2,510**	**1,477**	**306**	**775**
TOTAL		**43,868**	**46,390**	**25,766**	**25,172**

For more information on fair value measurement, please see note 46 "Liabilities measured at fair value".

41.2.1 Financial liabilities measured at amortized cost

The following table shows financial liabilities at amortized cost by nature, broken down into current and non-current financial liabilities.

Millions of euro	Non-current			Current		
	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015	Notes	**at Dec. 31, 2016**	at Dec. 31, 2015
Long-term borrowings	41.3	41,336	44,872	41.3	4,384	5,733
Short-term borrowings		-	-	41.3	5,372	2,155
Trade payables	37	-	-	37	12,688	11,775
Total		**41,336**	**44,872**		**22,444**	**19,663**

41.3 Borrowings

41.3.1 Long-term borrowings (including the portion falling due within 12 months) - *€45,720 million*

The following table reports the carrying amount and fair value for each category of debt, including the portion falling due within 12 months. For listed debt instruments, the fair value is given by official prices, while for unlisted debt instruments, fair value is determined using valuation techniques appropriate for each category of financial instrument and the associated market data at the reporting date, including the credit spreads of Enel SpA.

The following table reports the situation of long-term borrowings and repayment schedules at December 31, 2016, broken down by type of borrowing and interest rate.

Millions of euro	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Changes in carrying amount
	at Dec. 31, 2016					at Dec. 31, 2015					
Bonds:											
- listed, fixed rate	26,426	25,770	1,583	24,187	30,332	30,250	29,809	3,351	26,458	34,897	(4,039)
- listed, floating rate	3,338	3,320	376	2,944	3,673	4,098	4,076	1,155	2,921	4,190	(756)
- unlisted, fixed rate	5,660	5,619	1,422	4,197	6,240	5,479	5,436	-	5,436	6,186	183
- unlisted, floating rate	1,138	1,138	65	1,073	1,132	1,236	1,236	64	1,172	1,193	(98)
Total bonds	**36,562**	**35,847**	**3,446**	**32,401**	**41,377**	**41,063**	**40,557**	**4,570**	**35,987**	**46,466**	**(4,710)**
Bank borrowings:											
- fixed rate	1,283	1,278	152	1,126	1,372	1,169	1,147	137	1,010	1,256	131
- floating rate	6,951	6,902	597	6,305	7,187	6,555	6,529	707	5,822	6,812	373
- use of revolving credit lines	15	15	-	15	15	31	31	-	31	31	(16)
Total bank borrowings	**8,249**	**8,195**	**749**	**7,446**	**8,574**	**7,755**	**7,707**	**844**	**6,863**	**8,099**	**488**
Non-bank borrowings:											
- fixed rate	1,549	1,548	159	1,389	1,565	2,012	2,012	250	1,762	2,012	(464)
- floating rate	130	130	30	100	138	329	329	69	260	341	(199)
Total non-bank borrowings	**1,679**	**1,678**	**189**	**1,489**	**1,703**	**2,341**	**2,341**	**319**	**2,022**	**2,353**	**(663)**
Total fixed-rate borrowings	**34,918**	**34,215**	**3,316**	**30,899**	**39,509**	**38,910**	**38,404**	**3,738**	**34,666**	**44,351**	**(4,189)**
Total floating-rate borrowings	**11,572**	**11,505**	**1,068**	**10,437**	**12,145**	**12,249**	**12,201**	**1,995**	**10,206**	**12,567**	**(696)**
TOTAL	**46,490**	**45,720**	**4,384**	**41,336**	**51,654**	**51,159**	**50,605**	**5,733**	**44,872**	**56,918**	**(4,885)**

The balance for bonds is reported net of €842 million in respect of the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", which the Parent Company holds in portfolio.

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

Long-term financial debt by currency and interest rate

Millions of euro	Carrying amount	Nominal value	Carrying amount	Nominal value	Current average nominal interest rate	Current effective interest rate
	at Dec. 31, 2016		at Dec. 31, 2015		**at Dec. 31, 2016**	
Euro	**25,546**	**26,127**	**31,059**	**31,433**	**3.7%**	**4.1%**
US dollar	9,879	9,978	9,552	9,636	6.1%	6.3%
Pound sterling	4,955	5,011	5,775	5,845	6.1%	6.2%
Colombian peso	1,872	1,872	1,358	1,358	11.1%	11.1%
Brazilian real	1,088	1,098	875	880	13.7%	13.8%
Swiss franc	539	540	534	535	3.1%	3.1%
Chilean peso/UF	490	501	445	456	7.9%	8.1%
Peruvian sol	437	437	410	410	6.2%	6.2%
Russian ruble	295	295	124	124	12.2%	12.2%
Japanese yen	255	255	240	240	2.4%	2.5%
Other currencies	364	376	233	242		
Total non-euro currencies	**20,174**	**20,363**	**19,546**	**19,726**		
TOTAL	**45,720**	**46,490**	**50,605**	**51,159**		

Long-term financial debt denominated in currencies other than the euro increased by €628 million. The change is largely attributable to new borrowing in US dollars by the companies operating in Latin America.

Change in the nominal value of long-term debt

Millions of euro	Nominal value	Repayments	Change in own bonds	Change in the scope of consolidation	Exchange offer	New financing	Exchange differences	Reclassification from/to assets/ (liabilities) held for sale	Nominal value
	at Dec. 31, 2015								**at Dec. 31, 2016**
Bonds	41,063	(5,289)	(34)	-	183	946	(307)	-	36,562
Borrowings	10,096	(1,450)	-	(504)	-	1,393	393	-	9,928
Total financial debt	**51,159**	**(6,739)**	**(34)**	**(504)**	**183**	**2,339**	**86**	**-**	**46,490**

Compared with December 31, 2015, the nominal value of long-term debt at December 31, 2016 decreased by €4,669 million, the net effect of €2,339 million in new borrowings, €183 million in the bond exchange transaction carried out by Enel Finance International and €86 million in exchange rate losses, which were easily offset by repayments of €6,739 million and the change in the scope of consolidation in the amount of €504 million. The latter change mainly reflected the deconsolidation of the debt of EGPNA Renewable Energy Partners LLC ("EGPNA REP"), following the reduction by Enel Green Power North America of its interest in EGPNA REP from 51% to 50% and the transformation of the latter company into an equally held joint venture with GE Energy Financial Services.

The main repayments in 2016 concerned bonds in the amount of €5,289 million and borrowings totaling €1,450 million.

More specifically, the main bonds maturing in 2016 included:

- a floating-rate bond (€1,000 million) issued by Enel SpA, maturing in February 2016;
- a fixed-rate bond (€2,000 million) issued by Enel SpA, maturing in February 2016;
- a fixed-rate bond (€1,080 million) issued by Enel Finance International, maturing in September 2016;
- a fixed-rate bond in US dollars (the equivalent of €235 million) issued by Enel Américas, formerly Enersis, maturing in December 2016;
- bonds (the equivalent of €158 million) issued by a number of Latin American companies, maturing in 2016.

The main repayments of borrowings in the year included the following:

- €281 million in respect of subsidized loans of e-distribuzione and Enel Produzione;
- €152 million in respect of floating-rate bank borrowings of Endesa, of which €41 million in subsidized loans;
- €142 million in respect of floating-rate bank borrowings of Enel Green Power SpA, of which €45 million in subsidized loans;
- the equivalent of €224 million in respect of bank borrowings of Enel Russia, of which €81 million in subsidized loans;
- the equivalent of €263 million in respect of loans of companies in Latin America;
- the equivalent of €172 million in respect of loans of Enel Green Power North America.

In May 2016, following a non-binding exchange offer, the subsidiary Enel Finance International carried out the repurchase and concomitant issue of a senior fixed-rate bond maturing in June 2026 (the "exchange offer"). The amount repurchased (€1,074 million) and that issued (€1,257 million) generated a net cash inflow of €183 million. From an accounting standpoint, taking account of the characteristics of the instruments exchanged and the quantitative limits set by the applicable accounting standard, the exchange offer did not give rise to the extinguishment of the pre-existing financial liability. As the non-binding exchange offer was subscribed by only part of the original bondholders, the previous issue remains in circulation on the market in the total notional amount of €5,458 million, maturing between 2017 and 2023.

The main new borrowing carried out in 2016 involved bonds in the amount of €946 million and borrowings of €1,393 million.

The table below shows the main characteristics of financial transactions carried out in 2016.

	Issuer/Grantor	Issue/Grant date	Amount in millions of euro	Currency	Interest rate	Interest rate type	Maturity
Bonds:							
Local bonds	Enel Américas	25/10/2016	552	USD	4.00%	Fixed rate	25/10/2026
	Emgesa	11/02/2016	61	COP	COP CPI 3M + 349 bp	Floating rate	11/02/2019
	Emgesa	11/02/2016	75	COP	COP CPI 3M + 469 bp	Floating rate	11/02/2023
	Emgesa	27/09/2016	91	COP	7.59%	Fixed rate	27/09/2022
Total bonds			**779**				
Bank borrowings:							
	Ampla	07/03/2016	70	USD	USD LIBOR 6M + 153 bp	Floating rate	07/03/2019
	Codensa	17/03/2016	57	COP	8.49%	Fixed rate	18/03/2019
	Codensa	10/06/2016	49	COP	8.82%	Fixed rate	10/06/2020
	Enel Russia	03/03/2016	131	RUR	12.50%	Fixed rate	04/02/2021
	Enel Green Power Brazil	14/01/2016	134	USD	USD LIBOR 3M +115 bp	Floating rate	10/01/2020
	Enel Green Power Brazil	18/05/2016	63	BRL	CDI + 300 bp	Floating rate	18/05/2017
	Enel Green Power Brazil	22/12/2016	55	BRL	TJLP + 202 bp	Floating rate	15/06/2037
	Enel Sole	22/12/2016	75	EUR	EURIBOR 6M + 46 bp	Floating rate	22/12/2031
	Enel Produzione	22/12/2016	50	EUR	EURIBOR 6M + 46 bp	Floating rate	22/12/2034
	Enel	20/07/2016	50	EUR	EURIBOR 6M + 33 bp	Floating rate	15/07/2020
	Enel Green Power	28/10/2016	50	EUR	EURIBOR 6M + 41 bp	Floating rate	28/10/2031
Total bank borrowings			**784**				

Among the main financing contracts finalized in 2016, on July 15, 2016, a 4-year €500 million credit facility was agreed between Enel SpA and UniCredit SpA. The facility was drawn in the amount of €50 million at December 31, 2016.

The Group's main long-term financial liabilities are governed by covenants that are commonly adopted in international business practice. These liabilities primarily regard the bond issues carried out within the framework of the Global Medium-Term Notes program, issues of subordinated unconvertible hybrid bonds (so-called "hybrid bonds") and loans granted by banks and other financial institutions (including the European Investment Bank and Cassa Depositi e Prestiti SpA).
The main covenants regarding bond issues carried out within the framework of the Global Medium-Term Notes program of (i) Enel and Enel Finance International NV and of (ii) Endesa Capital SA and International Endesa BV, can be summarized as follows:

- negative pledge clauses under which the issuer and the guarantor may not establish or maintain mortgages, liens or other encumbrances on all or part of its assets or revenue to secure certain financial liabilities, unless the same encumbrances are extended equally or pro rata to the bonds in question;
- pari passu clauses, under which the bonds and the associated security constitute a direct, unconditional and unsecured obligation of the issuer and the guarantor, are issued without preferential rights among them and have at least the same seniority as other present and future unsubordinated and unsecured bonds of the issuer and the guarantor;
- cross-default clauses, under which the occurrence of a

default event in respect of a specified financial liability (above a threshold level) of the issuer, the guarantor or, in some cases, "significant" subsidiaries constitutes a default in respect of the liabilities in question, which become immediately repayable.

The main covenants covering Enel's hybrid bonds can be summarized as follows:

- subordination clauses, under which each hybrid bond is subordinate to all other bonds issued by the company and has the same seniority with all other hybrid financial instruments issued, being senior only to equity instruments;
- prohibition on mergers with other companies, the sale or leasing of all or a substantial part of the company's assets to another company, unless the latter succeeds in all obligations of the issuer.

The main covenants envisaged in the loan contracts of Enel and Enel Finance International NV and the other Group companies can be summarized as follows:

- negative pledge clauses, under which the borrower and, in some cases, the guarantor are subject to limitations on the establishment of mortgages, liens or other encumbrances on all or part of their respective assets, with the exception of expressly permitted encumbrances;
- disposals clauses, under which the borrower and, in some cases, the guarantor may not dispose of their assets or operations, with the exception of expressly permitted disposals;
- pari passu clauses, under which the payment undertakings of the borrower have the same seniority as its other unsecured and unsubordinated payment obligations;
- change of control clauses, under which the borrower and, in some cases, the guarantor could be required to renegotiate the terms and conditions of the financing or make compulsory early repayment of the loans granted;
- rating clauses, which provide for the borrower or the guarantor to maintain their rating above a certain specified level;
- cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer or, in some cases, the guarantor constitutes a default in respect of the liabilities in question, which become immediately repayable.

In some cases the covenants are also binding for the significant companies or subsidiaries of the obligated parties.

All the financial borrowings considered specify "events of default" typical of international business practice, such as, for example, insolvency, bankruptcy proceedings or the entity ceases trading.

In addition, the guarantees issued by Enel in the interest of e-distribuzione SpA for certain loans to e-distribuzione SpA from Cassa Depositi e Prestiti SpA require that at the end of each six-month measurement period Enel's net consolidated financial debt shall not exceed 4.5 times annual consolidated EBITDA.

Finally, the debt of Enel Américas SA and the other Latin American subsidiaries (notably Enel Generación Chile SA) contain covenants and events of default typical of international business practice.

The following table reports the impact on gross long-term debt of hedges established to mitigate exchange risk.

Long-term financial debt by hedged currency

Millions of euro	at Dec. 31, 2016					
	Initial debt structure			**Impact of hedge**	**Debt structure after hedging**	
	Carrying amount	Nominal amount	%			
Euro	**25,546**	**26,127**	**56.2%**	**12,220**	**38,347**	**82.5%**
US dollar	9,879	9,978	21.5%	(6,889)	3,089	6.6%
Pound sterling	4,955	5,011	10.8%	(5,011)	-	-
Colombian peso	1,872	1,872	4.0%	-	1,872	4.0%
Brazilian real	1,088	1,098	2.4%	276	1,374	3.0%
Swiss franc	539	540	1.2%	(540)	-	-
Chilean peso/UF	490	501	1.1%	-	501	1.1%
Peruvian sol	437	437	0.9%	-	437	0.9%
Russian ruble	295	295	0.6%	112	407	0.9%
Japanese yen	255	255	0.5%	(255)	-	-
Other currencies	364	376	0.8%	87	463	1.0%
Total non-euro currencies	**20,174**	**20,363**	**43.8%**	**(12,220)**	**8,143**	**17.5%**
TOTAL	**45,720**	**46,490**	**100.0%**	**-**	**46,490**	**100.0%**

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

Millions of euro	**2016**				2015			
	Pre-hedge	%	Post-hedge	%	Pre-hedge	%	Post-hedge	%
Floating rate	17,240	33.1%	14,667	28.1%	14,405	27.0%	11,055	20.7%
Fixed rate	34,918	66.9%	37,491	71.9%	38,910	73.0%	42,260	79.3%
Total	**52,158**		**52,158**		**53,315**		**53,315**	

At December 31, 2016, 33% of financial debt was floating rate (27% at December 31, 2015). Taking account of hedges of interest rates considered effective pursuant to the IFRS-EU, 28% of net financial debt (21% at December 31, 2015) was exposed to interest rate risk. Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, 72% of net financial debt was hedged (79% hedged at December 31, 2015).

These results are in line with the limits established in the risk management policy.

at Dec. 31, 2015

Initial debt structure			Impact of hedge	Debt structure after hedging	
Carrying amount	Nominal amount	%			
31,059	**31,433**	**61.4%**	**12,770**	**44,203**	**86.4%**
9,552	9,636	18.8%	(6,660)	2,976	5.8%
5,775	5,845	11.4%	(5,845)	-	-
1,358	1,358	2.7%	57	1,415	2.8%
875	880	1.7%	28	908	1.8%
534	535	1.0%	(535)	-	-
445	456	0.9%	230	686	1.3%
410	410	0.8%	(58)	352	0.7%
124	124	0.2%	235	359	0.7%
240	240	0.5%	(240)	-	-
233	242	0.5%	18	260	0.5%
19,546	**19,726**	**38.6%**	**(12,770)**	**6,956**	**13.6%**
50,605	**51,159**	**100.0%**	**-**	**51,159**	**100.0%**

41.3.2 Short-term borrowings - *€5,372 million*

At December 31, 2016 short-term borrowings amounted to €5,372 million, an increase of €3,217 million on December 31, 2015. They break down as follows.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Short-term bank borrowings	909	180	729
Commercial paper	3,059	213	2,846
Cash collateral on derivatives and other financing	1,286	1,698	(412)
Other short-term borrowings (1)	118	64	54
Short-term borrowings	**5,372**	**2,155**	**3,217**

(1) Does not include current financial debt included in other current financial liabilities.

Short-term bank borrowings amounted to €909 million.

The payables represented by commercial paper relate to issues outstanding at the end of December 2016 in the context of the €6,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, which was renewed in April 2010, as well as the €3,000 million program of International Endesa BV and that of Enel Américas and Enel Generación Chile of $400 million (equal to €379 million).

At December 31, 2016 issues under these programs totaled €3,059 million, of which €2,127 million pertaining to Enel Finance International and €932 million to International Endesa BV.

41.4 Derivative financial liabilities

For more information on derivative financial liabilities, please see note 44 "Derivatives and hedge accounting".

41.5 Net gains and losses

The following table shows net gains and losses by category of financial instruments, excluding derivatives.

Millions of euro	2016		2015	
	Net gains/ (losses)	Of which impairment/ reversal of impairment	**Net gains/ (losses)**	Of which impairment/ reversal of impairment
Available-for-sale financial assets measured at fair value	59	-	-	-
Available-for-sale financial assets measured at amortized cost	7	-	8	-
Held-to-maturity financial assets	(1)	-	7	-
Loans and receivables	(595)	(764)	149	-
Financial assets at FVTPL				
Financial assets held for trading	1	-	-	-
Financial assets designated upon initial recognition (fair value option)	(1)	-	5	-
Total financial assets at FVTPL	**-**	**-**	**5**	**-**
Financial liabilities measured at amortized cost	(1,873)	-	(3,900)	-
Financial liabilities at FVTPL				
Financial liabilities held for trading	-	-	-	-
Financial liabilities designated upon initial recognition (fair value option)	-	-	-	-
Total financial liabilities at FVTPL	**-**	**-**	**-**	**-**

For more details on net gains and losses on derivatives, please see note 10 "Net financial income/(expense) from derivatives".

42. Risk management

Financial risk management objectives and policies

As part of its operations, the Enel Group is exposed to a variety of financial risks, notably market risks (including interest rate risk, exchange risk and commodity risk), credit risk and liquidity risk.

The Group's governance arrangements for financial risk envisage:

> specific internal committees, formed of members of the Group's top management and chaired by the CEO, which are responsible for strategic policy-making and oversight of risk management;

> the establishment of specific policies set at both the Group level and at the level of individual Regions/Countries/global business lines, which define the roles and responsibilities for those involved in managing, monitoring and controlling risks, ensuring the organizational separation of units involved in managing the Group's business and those responsible for managing risk;

> the specification of operational limits at both the Group level and at the level of individual Regions/Countries/global business lines for the various types of risk. These limits are monitored periodically by the risk management units.

Market risks

Market risk is the risk that the expected cash flows or the fair value of financial and non-financial assets and liabilities could change owing to changes in market prices.
Market risks are essentially composed of interest rate risk, exchange risk and commodity price risk.

Interest rate risk and exchange risk are primarily generated by the presence of financial instruments.
The main financial liabilities held by the Company include bonds, bank borrowings, other borrowings, commercial paper, derivatives, cash collateral for derivatives transactions, liabilities for construction contracts and trade payables.
The main purpose of those financial instruments is to finance the operations of the Group.
The main financial assets held by the Group include financial receivables, factoring receivables, derivatives, cash collateral for derivatives transactions, cash and cash equivalents, receivables for construction contracts and trade receivables.
For more details, please see note 41 "Financial instruments".
The sources of exposure to interest rate risk and exchange risk did not change with respect to the previous year.

The nature of the financial risks to which the Group is exposed is such that changes in interest rates can cause an increase in net financial expense or adverse changes in the value of assets/liabilities measured at fair value.
The Group is also exposed to the risk that changes in the exchange rates between the euro and the main foreign currencies could have an adverse impact on the value in euro of performance and financial aggregates denominated in foreign currencies, such as costs, revenue, assets and liabilities, as well as the consolidation values of equity investments denominated in currencies other than the euro (translation risk). As with interest rates, changes in exchange rates can cause variations in the value of financial assets and liabilities measured at fair value.

The Group's policies for managing market risks provide for the mitigation of the effects on performance of changes in interest rates and exchange rates with the exclusion of translation risk. This objective is achieved both at the source of the risk, through the strategic diversification of the nature of financial assets and liabilities, and by modifying the risk profile of specific exposures with derivatives entered into on over-the-counter markets (OTC).

The risk of fluctuations in commodity prices is generated by the volatility of those prices and existing structural correlations between them, which creates uncertainty about the margin on transactions in fuels and energy. Price developments are observed and analyzed in order to develop the Group's industrial, financial and commercial strategies and policies.
In order to contain the effects of such fluctuations and stabilize margins, Enel develops, in accordance with the

Group's policies and risk governance limits, strategies that impact the various stages of the industrial process associated with the production and sale of electricity and gas, such as advance sourcing and hedging, and plans and techniques for hedging financial risks with derivatives. The Group companies develop strategies for hedging the price risk arising from trading in commodities and, using financial instruments, reduce or eliminate market risk, sterilizing the variable components of price. If authorized, they can also engage in proprietary trading in the energy commodities used by the Group in order to monitor and enhance their understanding of the most relevant markets.

The organizational structure provides for a single entity to operate on behalf of the entire Group in sourcing fuels and selling electricity and gas on wholesale markets, as well as centralizing trading with the direct control of the units involved in that business, which as they also operate at the local level can maintain effective relationships with the markets. The global business line cooperates with units of the holding company designated to steer, monitor and integrate global performance. In order to manage and control market risks associated with energy commodities, strengthening an integrated vision of our business and a geographical awareness of sales and trading operations is consistent with the global environment in which the Group operates, creating opportunities for improvement in both maximizing margins and governing risks.

As part of its governance of market risks, the Company regularly monitors the size of the OTC derivatives portfolio in relation to the threshold values set by regulators for the activation of clearing obligations (EMIR - European Market Infrastructure Regulation 648/2012 of the European Parliament). During 2016, no overshoot of those threshold values was detected.

Interest rate risk

Interest rate risk is the risk that the fair value or expected cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The main source of interest rate risk for the Enel Group is the presence of financial instruments. It manifests itself primarily as a change in the flows associated with interest payments on floating-rate financial liabilities, a change in financial terms and conditions in negotiating new debt instruments or as an adverse change in the value of financial assets/liabilities measured at fair value, which are typically fixed-rate debt instruments.

For more information, please see note 41 "Financial instruments".

The Enel Group manages interest rate risk through the definition of an optimal financial structure, with the dual goal of stabilizing borrowing costs and containing the cost of funds. This goal is pursued through the strategic diversification of the portfolio of financial liabilities by contract type, maturity and interest rate, and modifying the risk profile of specific exposures using OTC derivatives, mainly interest rate swaps and interest rate options. The term of such contracts does not exceed the maturity of the underlying financial liability, so that any change in the fair value and/or cash flows of such contracts is offset by a corresponding change in the fair value and/or cash flows of the hedged position.

Proxy hedging techniques may be used in a number of residual circumstances, when the hedging instruments for the risk factors are not available on the market or are not sufficiently liquid. For the purpose of EMIR compliance, in order to test the actual effectiveness of the hedging techniques adopted, the Group subjects its hedge portfolios to periodic statistical assessment.

Using interest rate swaps, the Enel Group agrees with the counterparty to periodically exchange floating-rate interest flows with fixed-rate flows, both calculated on the same notional principal amount.

Floating-to-fixed interest rate swaps transform floating-rate financial liabilities into fixed-rate liabilities, thereby neutralizing the exposure of cash flows to changes in interest rates.

Fixed-to-floating interest rate swaps transform fixed-rate financial liabilities into floating-rate liabilities, thereby neutralizing the exposure of their fair value to changes in interest rates.

Floating-to-floating interest rate swaps permit the exchange of floating-rate interest flows based on different indexes.

Some structured borrowings have multi-stage interest flows hedged by interest rate swaps that at the reporting date, and for a limited time, provide for the exchange of fixed-rate interest flows.

Interest rate options involve the exchange of interest differences calculated on a notional principal amount once certain thresholds (strike prices) are reached. These thresholds specify the effective maximum rate (cap) or the minimum rate (floor) on the debt as a result of the hedge. Hedging strategies can also make use of combinations of options

(collars) that establish the minimum and maximum rates at the same time. In this case, the strike prices are normally set so that no premium is paid on the contract (zero cost collars).
Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate options are also considered most appropriate in periods of uncertainty about future interest rate developments because they make it possible to benefit from any decrease in interest rates.

The following table reports the notional amount of interest rate derivatives at December 31, 2016 and December 31, 2015 broken down by type of contract.

Millions of euro	Notional amount	
	2016	2015
Floating-to-fixed interest rate swaps	11,526	10,910
Fixed-to-floating interest rate swaps	853	853
Fixed-to-fixed interest rate swaps	-	-
Floating-to-floating interest rate swaps	165	180
Interest rate options	50	50
Total	**12,594**	**11,993**

For more details on interest rate derivatives, please see note 44 "Derivatives and hedge accounting".

Interest rate risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.
More specifically, sensitivity analysis measures the potential impact on profit or loss and on equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross debt.
These scenarios are represented by parallel increases and decreases in the yield curve as at the reporting date.
There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the Group's profit before tax would be affected by a change in the level of interest rates as follows.

Millions of euro		**2016**			
		Pre-tax impact on profit or loss		**Pre-tax impact on equity**	
	Basis points	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term floating-rate debt after hedging	25	22	(22)	-	-
Change in fair value of derivatives classified as non-hedging instruments	25	7	(7)	-	-
Change in fair value of derivatives designated as hedging instruments					
Cash flow hedges	25	-	-	188	(188)
Fair value hedges	25	(6)	6	-	-

Exchange risk

Exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

For the companies of the Enel Group, the main source of exchange risk is the presence of financial instruments and cash flows denominated in a currency other than its currency of account and/or functional currency.
More specifically, exchange risk is mainly generated with the following transaction categories:

> debt denominated in currencies other than the currency of account or the functional currency entered into by the holding company or the individual subsidiaries;
> cash flows in respect of the purchase or sale of fuel or electricity on international markets;
> cash flows in respect of investments in foreign currency, dividends from unconsolidated foreign companies or the purchase or sale of equity investments.

The sources of exposure to exchange risk did not change with respect to the previous year.

For more details, please see note 41 "Financial instruments".

In order to minimize this risk, the Group normally uses a variety of over-the-counter (OTC) derivatives such as cross currency interest rate swaps, currency forwards and currency swaps.

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

Cross currency interest rate swaps are used to transform a long-term financial liability in foreign currency into an equivalent liability in the currency of account or functional currency of the company holding the exposure.

Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two amounts (deliverable forwards) or payment of the difference between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards). In the latter case, the strike rate and/or the spot rate may be determined as averages of the rates observed in a given period.

Currency swaps are contracts in which the counterparties enter into two transactions of the opposite sign at different future dates (normally one spot, the other forward) that provide for the exchange of principal denominated in different currencies.

The following table reports the notional amount of transactions outstanding at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

Millions of euro	Notional amount	
	2016	2015 restated
Cross currency interest rate swaps (CCIRSs) hedging debt denominated in currencies other than the euro	14,973	15,812
Currency forwards hedging exchange risk on commodities	2,887	4,334
Currency forwards hedging future cash flows in currencies other than the euro	6,036	4,079
Currency swaps hedging commercial paper	-	-
Currency forwards hedging loans	-	181
Other currency forwards	1,014	262
Total	**24,910**	**24,668**

More specifically, these include:
> CCIRSs with a notional amount of €14,973 million to hedge the exchange risk on debt denominated in currencies other than the euro (€15,812 million at December 31, 2015);
> currency forwards with a total notional amount of €8,923 million used to hedge the exchange risk associated with purchases and sales of natural gas, purchases of fuel and expected cash flows in currencies other than the euro (€8,413 million at December 31, 2015);
> other currency forwards which include OTC derivatives transactions carried out to mitigate exchange risk on expected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters).

At December 31, 2016, 44% (39% at December 31, 2015) of Group long-term debt was denominated in currencies other than the euro.

Taking account of hedges of exchange risk, the percentage of debt not hedged against that risk amounted to 18% at December 31, 2016 (13% at December 31, 2015).

Exchange risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in exchange rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross medium/long-term debt.

These scenarios are represented by the appreciation/depreciation of the euro against all of the foreign currencies compared with the value observed as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the profit before tax would be affected as follows.

Millions of euro		2016			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Exchange rate	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term debt denominated in currencies other than the euro after hedging	10%	-	-	-	-
Change in fair value of derivatives classified as non-hedging instruments	10%	227	(277)	-	-
Change in fair value of derivatives designated as hedging instruments					
Cash flow hedges	10%	-	-	(1,787)	2,184
Fair value hedges	10%	-	-	-	-

Commodity risk

The Group is exposed to the risk of fluctuations in the price of commodities mainly associated with the purchase of fuel for power plants and the purchase and sale of natural gas under indexed contracts, as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on the electricity spot market).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold by the Group, Enel mainly uses fixed-price contracts in the form of bilateral physical contracts and financial contracts (e.g. contracts for differences, VPP contracts, etc.) in which differences are paid to the counterparty if the market electricity price exceeds the strike price and to Enel in the opposite case. The residual exposure in respect of the sale of energy on the spot market not hedged with such contracts is aggregated by uniform risk factors that can be managed with hedging transactions on the market. Proxy hedging techniques may be used for the industrial portfolios when the hedging instruments for the risk factors generating the exposure are not available on the market or are not sufficiently liquid, while portfolio hedging techniques can be used to assess opportunities for netting intercompany flows.

The Group mainly uses plain vanilla derivatives for hedging (more specifically, forwards, swaps, options on commodities, futures, contracts for differences).

Enel also engages in proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations, which are performed only by Group companies expressly authorized to do so under corporate policies, consist in taking on exposures in energy commodities (oil products, gas, coal, CO_2 certificates and electricity in the main European countries) using financial derivatives and physical contracts traded on regulated and over-the-counter markets, exploiting profit opportunities through arbitrage transactions carried out on the basis of expected market developments.

The commodity risk management processes established at the Group level are designed to constantly monitor developments in risk over time and to determine whether the risk levels, as observed for specific analytical dimensions (for example, geographical areas, organizational structures, business lines, etc.), comply with the thresholds consistent with the risk appetite established by top management. These operations are conducted within the framework of formal governance rules that establish strict risk limits. Compliance with the limits is verified daily by units that are independent of those undertaking the transactions. Positions are monitored monthly, assessing the Profit at Risk, in the case of industrial portfolios, and daily, calculating Value at Risk, in the case of the trading book.

The risk limits for Enel's proprietary trading are set in terms of Value at Risk over a 1-day time horizon and a confidence level of 95%; the Group limit for 2016 is equal to €15 million.

The following table reports the notional amount of outstanding transactions at December 31, 2016 and December 31, 2015, broken down by type of instrument.

Millions of euro	Notional amount	
	2016	2015
Forward and futures contracts	28,197	30,791
Swaps	6,195	5,904
Options	308	340
Embedded derivatives	-	-
Total	**34,700**	**37,035**

For more details, please see note 44 "Derivatives and hedge accounting".

Commodity risk sensitivity analysis

The following table presents the results of the analysis of sensitivity to a reasonably possible change in the commodity prices underlying the valuation model used in the scenario at the same date, with all other variables held constant. The analysis assesses the impact of shifts in the commodity price curve of +10% and -10%.

The impact on pre-tax profit is mainly attributable to the change in the price of electricity and, to a lesser extent, gas and petroleum products. The impact on equity is almost entirely due to changes in the prices of coal and electricity. The Group's exposure to changes in the prices of other commodities is not material.

Millions of euro		**2016**			
		Pre-tax impact on profit or loss		**Pre-tax impact on equity**	
	Commodity price	Increase	Decrease	Increase	Decrease
Change in the fair value of trading derivatives on commodities	10%	(16)	33	-	-
Change in the fair value of derivatives on commodities designated as hedging instruments	10%	-	-	52	(54)

Credit risk

The Group's commercial, commodity and financial operations expose it to credit risk, i.e. the possibility that an unexpected change in the creditworthiness of a counterparty could have an effect on the creditor position, in terms of insolvency (default risk) or changes in its market value (spread risk).

In recent years, in view of the instability and uncertainty that have affected the financial markets and an economic crisis of global proportions, average collection times have trended upwards. In order to minimize credit risk, credit exposures are managed at the Region/Country/business line level by different units, thereby ensuring the necessary segregation of risk management and control activities. Monitoring the consolidated exposure is carried out by Enel SpA.

In particular, the policy for managing credit and the associated risks provides for the assessment of the creditworthiness of the main counterparties, the adoption of risk mitigation tools, such as secured and unsecured guarantees and standardized contractual frameworks in specific business areas, and the analysis of credit exposures.

In addition, at the Group level the policy provides for the use of uniform criteria – in all the main Regions/Countries/global business lines and at the consolidated level – in measuring commercial credit exposures in order to promptly identify any deterioration in the quality of outstanding receivables and any mitigation actions to be taken.

As regards the credit risk associated with commodity transactions, a uniform counterparty assessment system is used at the Group level, with local level implementation. Risk limits defined by the appropriate units of the Regions/Countries/global business lines have been applied and monitored.

For the credit risk generated by financial transactions, including those in derivatives, risk is minimized by selecting counterparties with high standing from among leading national and international financial institutions, diversifying the portfolio, entering into margin agreements that call for the exchange of cash collateral and/or using netting arrangements. An internal assessment system was used again in 2016 to apply and monitor operational limits for credit risk, approved by the Group Financial Risk Committee in respect of financial counterparties at the Region/Country/global business line level and at the consolidated level.

To manage credit risk even more effectively, for a number of years the Group has carried out non-recourse assignments of receivables, which have mainly involved specific segments of the commercial portfolio and, to a lesser extent, invoiced receivables and receivables to be invoiced of companies operating in other segments of the electricity industry than retail sales.
All of the above transactions are considered non-recourse transactions for accounting purposes and therefore involved the full derecognition of the corresponding assigned assets from the balance sheet, as the risks and rewards associated with them have been transferred.

Concentration of customer credit risk

Trade receivables are generated by the Group's operations in many regions and countries (Italy, Spain, Latin America, Romania, Russia, North America, etc.) with a base of customers and counterparties that is highly diversified, whether geographically, sectorally (industrial companies, energy companies, communications, government entities, enterprises in retail trade, tourism, consumer goods, etc.) or by size (large corporate, small and medium-sized enterprises, residential customers). Through its subsidiaries, Enel has more than 60 million customers or counterparties with whom it has generally granular credit exposures.

Financial assets past due but not impaired

Millions of euro	**2016**	2015
Impaired trade receivables	**2,027**	**2,085**
Not past due and not impaired trade receivables	**10,006**	**8,520**
Past due but not impaired trade receivables:	**3,500**	**4,277**
- less than 3 months	1,350	1,696
- from 3 months to 6 months	288	505
- from 6 months to 12 months	334	588
- from 12 months to 24 months	500	386
- more than 24 months	1,028	1,102
Total	**15,533**	**14,882**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The objectives of liquidity risk management policies are:

> ensuring an appropriate level of liquidity for the Group, minimizing the associated opportunity cost;
> maintaining a balanced debt structure in terms of the maturity profile and funding sources.

In the short term, liquidity risk is mitigated by maintaining an appropriate level of unconditionally available resources, including liquidity and short-term deposits, available committed credit lines and a portfolio of highly liquid asset.
In the long term, liquidity risk is mitigated by maintaining a balanced maturity profile for our debt, access to a range of sources of funding on different markets, in different currencies and with diverse counterparties.

The Group holds the following undrawn lines of credit.

Millions of euro	at Dec. 31, 2016		at Dec. 31, 2015	
	Expiring within one year	Expiring beyond one year	Expiring within one year	Expiring beyond one year
Committed credit lines	176	14,214	377	13,042
Uncommitted credit lines	448	19	648	-
Commercial paper	6,320	-	9,153	-
Total	**6,944**	**14,234**	**10,178**	**13,042**

Committed credit lines amounted to €14,390 million at the Group level, with €14,214 million expiring after 2017. Total available resources came to €21,178 million, of which €6,320 million in commercial paper.

In May 2016 Enel Finance International NV carried out an offer to exchange seven euro-denominated bonds maturing between 2017 and 2023 with a new euro-denominated issue maturing at 10 years in the nominal amount of €1,257 million, paying a coupon of 1.375%.

The transaction was part of EFI's liability management program begun in the final Quarter of 2014 in order to actively manage maturities and the Group's funding costs.

For more information, please see note 41 "Financial instruments" in this report.

Maturity analysis

The table below summarizes the maturity profile of the Group's long-term debt.

Millions of euro	Maturing in						
	Less than 3 months	From 3 months to 1 year	2018	2019	2020	2021	Beyond
Bonds:							
- listed, fixed rate	11	1,572	4,709	2,086	2,200	1,368	13,824
- listed, floating rate	214	162	797	322	124	135	1,566
- unlisted, fixed rate	-	1,422	-	1,655	-	-	2,542
- unlisted, floating rate	-	65	66	248	27	111	621
Total bonds	**225**	**3,221**	**5,572**	**4,311**	**2,351**	**1,614**	**18,553**
Bank borrowings:							
- fixed rate	24	128	296	192	214	67	357
- floating rate	91	506	812	827	704	643	3,319
- use of revolving credit lines	-	-	15	-	-	-	-
Total bank borrowings	**115**	**634**	**1,123**	**1,019**	**918**	**710**	**3,676**
Non-bank borrowings:							
- fixed rate	36	123	169	141	155	129	795
- floating rate	23	7	9	9	10	9	63
Total non-bank borrowings	**59**	**130**	**178**	**150**	**165**	**138**	**858**
TOTAL	**399**	**3,985**	**6,873**	**5,480**	**3,434**	**2,462**	**23,087**

Commitments to purchase commodities

In conducting its business, the Enel Group has entered into contracts to purchase specified quantities of commodities at a certain future date for its own use, which qualify for the own use exemption provided for under IAS 39.

The following table reports the undiscounted cash flows associated with outstanding commitments at December 31, 2016.

Millions of euro					
	at Dec. 31, 2016	2015-2019	2020-2024	2025-2029	Beyond
Commitments to purchase commodities:					
- electricity	63,407	18,996	12,827	10,703	20,881
- fuels	47,305	28,251	11,646	5,980	1,428
Total	**110,712**	**47,247**	**24,473**	**16,683**	**22,309**

43. Offsetting financial assets and financial liabilities

At December 31, 2016, the Group did not hold offset positions in assets and liabilities, as it is not the Enel Group's policy to settle financial assets and liabilities on a net basis.

44. Derivatives and hedge accounting

The following tables show the notional amount and the fair value of derivative financial assets and derivative financial liabilities eligible for hedge accounting or measured a FVTPL, classified on the basis of the type of hedge relationship and the hedged risk, broken down into current and non-current instruments.

The notional amount of a derivative contract is the amount on the basis of which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted at the end-year exchange rates provided by the European Central Bank.

Millions of euro	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Fair value hedge derivatives:								
- on interest rates	848	868	36	46	20	15	1	-
Total	**848**	**868**	**36**	**46**	**20**	**15**	**1**	**-**
Cash flow hedge derivatives:								
- on interest rates	379	7,090	3	116	17	25	-	1
- on exchange rates	8,057	13,554	1,531	2,163	3,561	2,921	464	280
- on commodities	99	37	18	5	1,869	1,093	453	326
Total	**8,535**	**20,681**	**1,552**	**2,284**	**5,447**	**4,039**	**917**	**607**
Trading derivatives:								
- on interest rates	50	50	3	2	-	-	-	-
- on exchange rates	120	102	7	5	3,246	2,064	70	63
- on commodities	69	53	11	6	15,539	16,488	2,957	4,403
Total	**239**	**205**	**21**	**13**	**18,785**	**18,552**	**3,027**	**4,466**
TOTAL DERIVATIVE FINANCIAL ASSETS	**9,622**	**21,754**	**1,609**	**2,343**	**24,252**	**22,606**	**3,945**	**5,073**

Millions of euro	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Fair value hedge derivatives:								
- on interest rates	-	-	-	-	-	-	-	-
- on exchange rates	106	-	15	-	7	-	1	-
- on commodities	-	-	-	-	4	-	-	-
Total	**106**	**-**	**15**	**-**	**11**	**-**	**1**	**-**
Cash flow hedge derivatives:								
- on interest rates	11,042	3,643	695	459	31	95	1	2
- on exchange rates	5,686	1,991	1,764	1,006	457	673	88	96
- on commodities	352	187	36	12	1,096	2,028	216	677
Total	**17,080**	**5,821**	**2,495**	**1,477**	**1,584**	**2,796**	**305**	**775**
Trading derivatives:								
- on interest rates	88	107	13	16	119	100	73	65
- on exchange rates	37	140	5	18	3,633	3,223	62	43
- on commodities	64	93	4	7	15,608	17,056	2,881	4,626
Total	**189**	**340**	**22**	**41**	**19,360**	**20,379**	**3,016**	**4,734**
TOTAL DERIVATIVE FINANCIAL LIABILITIES	**17,375**	**6,161**	**2,532**	**1,518**	**20,955**	**23,175**	**3,322**	**5,509**

44.1 Derivatives designated as hedging instruments

Derivatives are initially recognized at fair value, at the trade date of the contract, and are subsequently re-measured at fair value.

The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Hedge accounting is applied to derivatives entered into in order to reduce risks such as interest rate risk, exchange risk, commodity risk, credit risk and equity risk when all the criteria provided for under IAS 39 are met.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Group also analyzes, both at hedge inception and on an ongoing systematic basis, the effectiveness of hedges using prospective and retrospective tests in order to determine whether hedging instruments are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Depending on the nature of the risks to which it is exposed, the Group designates derivatives as hedging instruments in one of the following hedge relationships:

- cash flow hedge derivatives in respect of the risk of: i) changes in the cash flows associated with long-term floating-rate debt; ii) changes in the exchange rates associated with long-term debt denominated in a currency other than the currency of account or the functional currency in which the company holding the financial liability operates; iii) changes in the price of fuels and non-energy commodities denominated in a foreign currency; iv) changes in the price of forecast electricity sales at variable prices; and v) changes in the price of transactions in coal and petroleum commodities;
- fair value hedge derivatives involving the hedging of exposures to changes in the fair value of an asset, a liability or a firm commitment attributable to a specific risk;
- derivatives hedging a net investment in a foreign operation (NIFO), involving the hedging of exposures to exchange rate volatility associated with investments in foreign entities.

For more details on the nature and the extent of risks arising from financial instruments to which the Company is exposed, please see note 42 "Risk management".

Cash flow hedges

Cash flow hedges are used in order to hedge the Group's exposure to changes in future cash flows that are attributable to a particular risk associated with an asset, a liability or a highly probable transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting but the hedged item has not expired or been cancelled, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

The Group currently uses these hedge relationships to minimize the volatility of profit or loss.

Fair value hedges

Fair value hedges are used to protect the Group against exposures to adverse changes in the fair value of assets, liabilities or firm commitments attributable to a particular risk that could affect profit or loss.

Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedge is ineffective or no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

The Group currently makes marginal use of such hedge relationships to seize opportunities associated with general developments in the yield curve.

44.1.1 Hedge relationships by type of risk hedged

Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk of transactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
Hedging instrument	**Hedged item**	**at Dec. 31, 2016**		at Dec. 31, 2015	
Interest rate swaps	Fixed-rate borrowings	35	853	44	853
Interest rate swaps	Floating-rate borrowings	(691)	11,484	(342)	10,883
Total		**(656)**	**12,337**	**(298)**	**11,736**

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at December 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Fair value hedge derivatives:								
- interest rate swaps	868	883	37	46	-	-	-	-
Cash flow hedge derivatives:								
- interest rate swaps	396	7,115	3	117	11,073	3,738	(696)	(461)
Total interest rate derivatives	**1,264**	**7,998**	**40**	**163**	**11,073**	**3,738**	**(696)**	**(461)**

The notional amount of derivatives classified as hedging instruments at December 31, 2016 came to €12,337 million, with a corresponding negative fair value of €656 million. The notional amount rose by €601 million. More specifically, interest rate swaps with a total value of €110 million expired, while new derivatives amounted to €954 million, of which €900 million associated with the pre-hedge strategy implemented in 2015 for the future refinancing of bond issues maturing between 2019 and 2020, in order to fix the cost of future funding in advance. The value also reflected the reduction in the notional amount of amortizing interest rate swaps.

The deterioration in the fair value of €358 million mainly reflects the general decline in the yield curve during the year.

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on interest rate risk.

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
Cash flow hedge derivatives on interest rates:							
- positive fair value	3	(2)	1	2	2	1	-
- negative fair value	(696)	(91)	(100)	(115)	(121)	(106)	(202)

The following table shows the impact of reserves from cash flow hedge derivatives on interest rate risk on equity during the period, gross of tax effects.

Millions of euro	
Opening balance at January 1, 2015	**(641)**
Changes in fair value recognized in equity (OCI)	13
Changes in fair value recognized in profit or loss	186
Closing balance at December 31, 2015	**(442)**
Opening balance at January 1, 2016	**(442)**
Changes in fair value recognized in equity (OCI)	(361)
Changes in fair value recognized in profit or loss	35
Closing balance at December 31, 2016	**(768)**

Exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on the exchange risk of transactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
		at Dec. 31, 2016		at Dec. 31, 2015 restated	
Hedging instrument	**Hedged asset**				
Cross currency interest rate swaps (CCIRSs)	Fixed-rate borrowings	148	13,988	1,170	15,078
Cross currency interest rate swaps (CCIRSs)	Floating-rate borrowings	(16)	650	25	401
Cross currency interest rate swaps (CCIRSs)	Future cash flows denominated in foreign currencies	(69)	335	(102)	306
Currency forwards	Future commodity purchases denominated in foreign currencies	120	2,091	244	3,058
Currency forwards	Future cash flows denominated in foreign currencies	1	38	(1)	59
Currency forwards	Purchases of investment goods	(57)	772	5	237
Total		**127**	**17,874**	**1,341**	**19,139**

Cash flow hedges and fair value hedges include:

- CCIRSs with a notional amount of €13,988 million used to hedge the exchange risk on fixed-rate debt denominated in currencies other than the euro, with a positive fair value of €148 million;
- CCIRSs with a notional amount of €985 million used to hedge the exchange risk on floating-rate debt denominated in currencies other than the euro, with a negative fair value of €85 million;
- currency forwards with a notional amount of €2,129 million used to hedge the exchange risk associated with purchases of natural gas, purchases of fuel and expected cash flows in currencies other than the euro, with a fair value of €121 million;
- currency forwards with a notional amount of €772 million and a negative fair value of €57 million in respect of OTC transactions to mitigate the exchange risk on expected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters).

The following table reports the notional amount and fair value of foreign exchange derivatives at December 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Fair value hedge derivatives:								
- currency forwards	-	-	-	-	7	-	(1)	-
- CCIRSs	-	-	-	-	106	-	(15)	-
Cash flow hedge derivatives:								
- currency forwards	2,521	2,927	141	256	373	427	(76)	(8)
- CCIRSs	9,097	13,548	1,854	2,187	5,770	2,237	(1,776)	(1,094)
Total exchange derivatives	**11,618**	**16,475**	**1,995**	**2,443**	**6,256**	**2,664**	**(1,868)**	**(1,102)**

The notional amount of CCIRSs at December 31, 2016 amounted to €14,973 million (€15,785 million at December 31, 2015), a decrease of €812 million. Cross currency interest rate swaps with a total value of €181 million expired, while new derivatives amounted to €274 million. The value also reflects developments in the exchange rate of the euro against the main other currencies, which caused their notional amount to increase by €719 million.

The notional value of currency forwards at December 31, 2016 amounted to €2,894 million (€3,354 million at December 31, 2015), a decrease of €460 million. The exposure to exchange risk, especially that associated with the US dollar, is mainly due to purchases of natural gas and purchase of fuel. Changes in the notional amount are connected with normal developments in operations.

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on exchange risk.

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
Cash flow hedge derivatives on exchange rates:							
- positive fair value	1,995	657	221	689	117	106	2,120
- negative fair value	(1,852)	(205)	(111)	(333)	(52)	(65)	(727)

The following table shows the impact of reserves from cash flow hedge derivatives on exchange risk on equity during the period, gross of tax effects.

Milioni di euro	
Opening balance at January 1, 2015	**(1,109)**
Changes in fair value recognized in equity (OCI)	753
Changes in fair value recognized in profit or loss	(258)
Closing balance at December 31, 2015	**(614)**
Opening balance at January 1, 2016	**(614)**
Changes in fair value recognized in equity (OCI)	(422)
Changes in fair value recognized in profit or loss	(230)
Changes in fair value recognized in profit or loss - ineffective portion	2
Closing balance at December 31, 2016	**(1,264)**

Commodity risk

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015	**at Dec. 31, 2016**	at Dec. 31, 2015
Fair value hedge derivatives								
Derivatives on power:								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	-	-	-	-	4	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on power	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**-**
Cash flow hedge derivatives								
Derivatives on power:								
- swaps	21	79	5	10	4	86	-	(4)
- forwards/futures	87	59	10	3	590	175	(66)	(51)
- options	-	-	-	-	-	-	-	-
Total derivatives on power	**108**	**138**	**15**	**13**	**594**	**261**	**(66)**	**(55)**
Derivatives on coal:								
- swaps	380	6	247	-	1	978	-	(182)
- forwards/futures	-	-	-	-	-	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on coal	**380**	**6**	**247**	**-**	**1**	**978**	**-**	**(182)**
Derivatives on gas and oil:								
- swaps	161	67	44	35	13	150	(2)	(49)
- forwards/futures	1,259	715	149	270	744	772	(180)	(402)
- options	-	-	-	-	-	-	-	-
Total derivatives on gas and oil	**1,420**	**782**	**193**	**305**	**757**	**922**	**(182)**	**(451)**
Derivatives on CO_2:								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	60	204	16	13	96	54	(4)	(1)
- options	-	-	-	-	-	-	-	-
Total derivatives on CO_2	**60**	**204**	**16**	**13**	**96**	**54**	**(4)**	**(1)**
TOTAL DERIVATIVES ON COMMODITIES	**1,968**	**1,130**	**471**	**331**	**1,452**	**2,215**	**(252)**	**(689)**

The table reports the notional amount and fair value of derivatives hedging the price risk on commodities at December 31, 2016 and at December 31, 2015, broken down by type of hedge. The developments in the fair value reflect the positive impact of the increase in the forward prices of fuels as of December 31, 2016 compared with those prevailing at the time the hedges were established.

The positive fair value of cash flow hedge derivatives on commodities mainly regards hedges of coal purchases requested by the generation companies in the amount of €247 million, derivatives transactions on gas and oil commodities amounting to €193 million and, marginally, derivatives on power and CO_2 totaling €31 million.

Cash flow hedge derivatives on commodities with a negative fair value regard derivatives on gas and oil commodities amounting to €182 million and derivatives on power and CO_2 amounting to €70 million. The first category primarily regards hedges of fluctuations in the price of natural gas, for both purchases and sales, carried out for oil commodities and gas products with physical delivery (all-in-one hedges).

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on commodity risk.

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
Cash flow hedge derivatives on commodities:							
- positive fair value	471	453	4	9	5	-	-
- negative fair value	(252)	(216)	(36)	-	-	-	-

The following table shows the impact of reserves from cash flow hedge derivatives on commodity risk on equity during the period, gross of tax effects.

Millions of euro	
Opening balance at January 1, 2015	**(248)**
Changes in fair value recognized in equity (OCI)	(649)
Changes in fair value recognized in profit or loss	275
Closing balance at December 31, 2015	**(622)**
Opening balance at January 1, 2016	**(622)**
Changes in fair value recognized in equity (OCI)	137
Changes in fair value recognized in profit or loss	830
Closing balance at December 31, 2016	**345**

44.2 Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 2016 and December 31, 2015.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015 restated	**at Dec. 31, 2016**	at Dec. 31, 2015 restated	**at Dec. 31, 2016**	at Dec. 31, 2015 restated	**at Dec. 31, 2016**	at Dec. 31, 2015 restated
Derivatives at FVTPL								
Derivatives on interest rates:								
- interest rate swaps	50	50	3	2	157	157	(79)	(75)
- interest rate options	-	-	-	-	50	50	(7)	(6)
Derivatives on exchange rates:								
- currency forwards	3,366	2,166	77	68	3,670	3,335	(67)	(61)
- CCIRSs	-	-	-	-	-	28	-	-
Derivatives on commodities								
Derivatives on power:								
- swaps	1,105	796	163	73	1,169	714	(172)	(60)
- forwards/futures	5,820	5,994	1,005	421	5,705	5,879	(1,033)	(398)
- options	16	7	14	-	23	14	(9)	-
Total derivatives on power	**6,941**	**6,797**	**1,182**	**494**	**6,897**	**6,607**	**(1,214)**	**(458)**
Derivatives on coal:								
- swaps	1,077	881	387	246	1,069	930	(409)	(291)
- forwards/futures	103	76	15	14	93	24	(2)	(10)
- options	-	-	-	-	1	2	(1)	(7)
Total derivatives on coal	**1,180**	**957**	**402**	**260**	**1,163**	**956**	**(412)**	**(308)**
Derivatives on gas and oil:								
- swaps	616	531	205	1,538	572	675	(109)	(1,592)
- forwards/futures	6,591	7,958	941	1,860	6,648	8,555	(853)	(1,975)
- options	125	133	177	236	143	184	(245)	(288)
Total derivatives on gas and oil	**7,332**	**8,622**	**1,323**	**3,634**	**7,363**	**9,414**	**(1,207)**	**(3,855)**
Derivatives on CO_2:								
- swaps	-	-	-	-	6	11	(3)	(5)
- forwards/futures	155	165	61	21	243	161	(49)	(7)
- options	-	-	-	-	-	-	-	-
Total derivatives on CO_2	**155**	**165**	**61**	**21**	**249**	**172**	**(52)**	**(12)**
Embedded derivatives	-	-	-	-	-	-	-	-
TOTAL DERIVATIVES	**19,024**	**18,757**	**3,048**	**4,479**	**19,549**	**20,719**	**(3,038)**	**(4,775)**

At December 31, 2016 the notional amount of trading derivatives on interest rates came to €257 million. The fair value of a negative €83 million deteriorated by €4 million on the previous year, mainly due to the general decline in the yield curve.

At December 31, 2016, the notional amount of derivatives on exchange rates was €7,036 million. The increase in their notional value and the associated net fair value of €3 million mainly reflected normal operations and developments in exchange rates.

At December 31, 2016, the notional amount of derivatives on commodities came to €31,280 million. The figures for 2015 have been restated to enable comparison with those for 2016 following the adoption of new classification criteria with regard to vessel leasing (now included in derivatives on coal) and structured products. The fair value of trading derivatives on commodities classified as assets mainly reflects the market valuation of hedges of gas and oil amounting to €1,323 million and derivatives on power amounting to €1,182 million.

The fair value of trading derivatives on commodities classified as liabilities mainly regards hedges of gas and oil amounting to €1,207 million and derivatives on power amounting to €1,214 million.

These values include transactions that, although established for hedging purposes, did not meet the requirements for hedge accounting.

45. Assets measured at fair value

The Group determines fair value in accordance with IFRS 13 whenever such measurement is required by the international accounting standards as a recognition or measurement criterion.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The best proxy of fair value is market price, i.e. the current publically available price actually used on a liquid and active market.

The fair value of assets and liabilities is classified in accordance with the three-level hierarchy described below, depending on the inputs and valuation techniques used in determining their fair value:

> Level 1, where the fair value is determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
> Level 2, where the fair value is determined on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices);
> Level 3, where the fair value is determined on the basis of unobservable inputs.

This note also provides detailed disclosures concerning the valuation techniques and inputs used to perform these measurements.

To that end:

> recurring fair value measurements of assets or liabilities are those required or permitted by the IFRS in the balance sheet at the close of each period;
> non-recurring fair value measurements are those required or permitted by the IFRS in the balance sheet in particular circumstances.

For general information or specific disclosures on the accounting treatment of these circumstances, please see note 2 "Accounting policies and measurement criteria".

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the financial statements, the fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	**Fair value**	Level 1	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Equity investments in other companies measured at fair value	24	**146**	142	-	4	**-**	-	-	-
Service concession arrangements	24	**1,022**	-	1,022	-	**-**	-	-	-
Securities available for sale	24.1 and 28.1	**440**	440	-	-	**35**	35	-	-
Securities held for trading and financial investments in funds or portfolio management products	28.1 and 30	**-**	-	-	-	**73**	11	62	-
Cash flow hedge derivatives:									
- on interest rates	44	**3**	-	3	-	**-**	-	-	-
- on exchange rates	44	**1,531**	-	1,531	-	**464**	-	464	-
- on commodities	44	**18**	14	4	-	**453**	235	218	-
Fair value hedge derivatives:									
- on interest rates	44	**36**	-	36	-	**1**	-	1	-
Trading derivatives:									
- on interest rates	44	**3**	-	3	-	**-**	-	-	-
- on exchange rates	44	**7**	-	7	-	**70**	-	70	-
- on commodities	44	**11**	3	8	-	**2,957**	1,403	1,554	-
Inventories measured at fair value	26	**-**	-	-	-	**14**	14	-	-
Assets classified as held for sale	31	**-**	-	-	-	**11**	-	-	11

The fair value of "equity investments in other companies measured at fair value" is determined for listed companies on the basis of the quoted price set on the closing date of the year, while that for unlisted companies is based on a reliable valuation of the relevant assets and liabilities.

"Service concession arrangements" concern electricity distribution operations in Brazil by Ampla and Coelce and are accounted for in accordance with IFRIC 12. Fair value was estimated as the net replacement cost based on the most recent rate information available and on the general price index for the Brazilian market.

The fair value of derivative contracts is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on a regulated market is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, volatility), discounting expected future cash flows on the basis of the market yield curve and translating amounts in currencies other than the euro using exchange rates provided by the European Central Bank. For contracts involving commodities, the measurement is conducted using prices, where available, for the same instruments on both regulated and unregulated markets.

In accordance with the new international accounting standards, in 2013 the Group included a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk. More specifically, the Group measures CVA/DVA using a Potential Future Exposure valuation technique for the net exposure of the position and subsequently allocating the adjustment to the individual financial instruments that make up the overall portfolio. All of the inputs used in this technique are observable on the market.
The notional amount of a derivative contract is the amount on which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted into euros at the year-end exchange rates provided by the European Central Bank.
The notional amounts of derivatives reported here do not necessarily represent amounts exchanged between the parties and therefore are not a measure of the Group's credit risk exposure. For listed debt instruments, the fair value is given by official prices. For unlisted instruments the fair value is determined using appropriate valuation techniques for each category of financial instrument and market data at the closing date of the year, including the credit spreads of Enel SpA.

45.1 Fair value of other assets

For each class of assets not measured at fair value on a recurring basis but whose fair value must be reported, the following table reports the fair value at the end of the period and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	**Fair value**	Level 1	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Investment property	18	**137**	-	-	137	**-**	-	-	-
Equity investments in other companies	24	**8**	-	-	8	**-**	-	-	-
Inventories	26	**-**	-	-	-	**65**	-	-	65

The table reports investment property, equity investments in other companies and inventories measured at cost, whose fair value has been estimated at €137 million and €8 million respectively. The amounts were calculated with the assistance of appraisals conducted by independent experts, who used different methods depending on the specific assets involved.

The value of equity investments classified in Level 3 increased by €1 million compared with 2015 and regards a number of equity investments of Endesa.
The value of inventories largely regards property not used in operations.

46. Liabilities measured at fair value

The following table reports for each class of liabilities measured at fair value on a recurring or non-recurring basis in the financial statements the fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro

		Non-current liabilities				Current liabilities			
	Notes	**Fair value**	Level 1	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Cash flow hedge derivatives:									
- on interest rates	44	**695**	-	695	-	**1**	-	1	-
- on exchange rates	44	**1,764**	-	1,764	-	**88**	-	88	-
- on commodities	44	**36**	9	27	-	**216**	51	165	-
Fair value hedge derivatives:									
- on interest rates	44	**-**	-	-	-	**-**	-	-	-
- on exchange rates	44	**15**	-	15	-	**1**	-	1	-
- on commodities	44	**-**	-	-	-	**-**	-	-	-
Trading derivatives:									
- on interest rates	44	**13**	-	13	-	**73**	-	73	-
- on exchange rates	44	**5**	-	5	-	**62**	-	62	-
- on commodities	44	**4**	-	4	-	**2,881**	1,173	1,708	-
Contingent consideration	40	**9**	-	9	-	**85**	-	-	85
Payables for put options granted to minority shareholders	40	**-**	-	-	-	**403**	-	-	403
Liabilities included in disposal groups classified as held for sale	31	**-**	-	-	-	**-**	-	-	-

Contingent consideration regards a number of equity investments held by the Group in North America, whose fair value was determined on the basis of the contractual terms and conditions.

The item "payables for put options granted to minority shareholders" includes the liability for the options on Enel Distributie Muntenia and Enel Energie Muntenia, determined on the basis of the exercise conditions.

46.1 Fair value of other liabilities

For each class of liabilities not measured at fair value in the balance sheet but whose fair value must be reported, the following table reports the fair value at the end of the period and the level in the fair value hierarchy into which the fair value measurements of those liabilities are classified.

Millions of euro

	Notes	**Fair value**	Level 1	Level 2	Level 3
Bonds:					
- fixed rate	41.3.1	**36,572**	33,885	2,687	-
- floating rate	41.3.1	**4,805**	791	4,014	-
Bank borrowings:					
- fixed rate	41.3.1	**1,372**	-	1,372	-
- floating rate	41.3.1	**7,202**	-	7,202	-
Non-bank borrowings:					
- fixed rate	41.3.1	**1,565**	-	1,565	-
- floating rate	41.3.1	**138**	-	138	-
Total		**51,654**	**34,676**	**16,978**	**-**

47. Related parties

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

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

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

In addition, the Group conducts essentially commercial transactions with associated companies or companies in which it holds minority interests.
Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Fondazione Enel and Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.

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

The following tables summarize transactions with related parties, associated companies and joint arrangements outstanding at December 31, 2016 and December 31, 2015 and carried out during the period.

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Income statement						
Revenue from sales and services	46	1,486	2,190	468	90	-
Other revenue and income	-	1	1	4	3	-
Other financial income	-	-	17	-	-	-
Purchases of electricity, gas and fuel	3,169	1,769	1,319	2	-	-
Costs for services and other materials	-	75	2,259	4	139	-
Other operating expenses	3	309	-	-	-	-
Net income/(expense) from commodity risk management	-	-	5	-	-	-
Other financial expense	-	-	12	1	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Balance sheet						
Trade receivables	8	301	477	27	57	-
Other current financial assets	-	-	-	9	-	-
Other current assets	-	-	15	92	1	-
Derivative assets	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	6	-
Long-term borrowings	-	-	1,072	-	-	-
Trade payables	638	372	490	1,239	18	-
Other current liabilities	-	-	3	-	21	-
Current derivative liabilities	-	-	-	-	-	-
Current portion of long-term borrowings	-	-	89	-	-	-
Other information						
Guarantees issued	-	280	262	-	80	-
Guarantees received	-	-	261	-	32	-
Commitments	-	-	72	-	9	-

Total 2016	Associates and joint arrangements	Overall total 2016	Total in financial statements	% of total
4,280	270	4,550	68,604	6.6%
9	11	20	1,988	1.0%
17	4	21	2,289	0.9%
6,259	344	6,603	32,039	20.6%
2,477	100	2,577	17,393	14.8%
312	-	312	2,783	11.2%
5	24	29	(133)	-21.8%
13	26	39	4,339	0.9%

Total at Dec. 31, 2016	Associates and joint arrangements	Overall total at Dec. 31, 2016	Total in financial statements	% of total
870	88	958	13,506	7.1%
9	126	135	3,053	4.4%
108	1	109	3,044	3.6%
-	18	18	3,945	0.5%
6	17	23	1,856	1.2%
1,072	-	1,072	41,336	2.6%
2,757	164	2,921	12,688	23.0%
24	4	28	12,141	0.2%
-	11	11	3,322	0.3%
89	-	89	4,384	2.0%
622	-	622		
293	-	293		
81	-	81		

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Income statement						
Revenue from sales and services	-	2,468	2,730	195	115	-
Other revenue and income	-	-	5	290	16	-
Other financial income	-	-	-	-	-	-
Purchases of electricity, gas and fuel	3,695	1,553	1,600	3	26	-
Costs for services and other materials	1	91	2,169	11	60	-
Other operating expenses	3	-	48	-	3	-
Net income/(expense) from commodity risk management	-	-	(24)	-	-	-
Other financial expense	-	-	-	-	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Balance sheet						
Trade receivables	-	217	594	68	15	-
Other current financial assets	-	-	-	-	-	-
Other current assets	-	4	30	69	2	-
Other non-current liabilities	-	-	-	-	4	-
Long-term borrowings	-	-	1,161	-	-	-
Trade payables	620	373	598	1,256	27	-
Other current liabilities	-	-	9	-	4	-
Current portion of long-term borrowings	-	-	89	-	-	-
Other information						
Guarantees issued	-	280	253	-	1	-
Guarantees received	-	-	158	-	27	-
Commitments	-	-	23	-	14	-

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at http://www.enel.com/en/investors/a201608-transactions-with-related-parties.html) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2016, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution 17221 of March 12, 2010, as amended with Resolution 17389 of June 23, 2010.

Total 2015	Associates and joint arrangements	Overall total 2015	Total in financial statements	% of total
5,508	75	5,583	73,076	7.6%
311	3	314	2,582	12.2%
-	15	15	1,563	1.0%
6,877	212	7,089	37,644	18.8%
2,332	99	2,431	16,457	14.8%
54	-	54	2,654	2.0%
(24)	-	(24)	168	-14.3%
-	29	29	4,969	0.6%

Total at Dec. 31, 2015	Associates and joint arrangements	Overall total at Dec. 31, 2015	Total in financial statements	% of total
894	43	937	12,797	7.3%
-	2	2	2,381	0.1%
105	30	135	2,898	4.7%
4	-	4	1,549	0.3%
1,161	-	1,161	44,872	2.6%
2,874	37	2,911	11,775	24.7%
13	1	14	11,222	0.1%
89	-	89	5,733	1.6%
534	-	534		
185	-	185		
37	-	37		

48. Contractual commitments and guarantees

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

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Guarantees given:			
- sureties and other guarantees granted to third parties	8,123	6,701	1,422
Commitments to suppliers for:			
- electricity purchases	63,407	48,733	14,674
- fuel purchases	47,305	64,114	(16,809)
- various supplies	1,309	1,725	(416)
- tenders	1,846	1,905	(59)
- other	3,751	2,895	856
Total	**117,618**	**119,372**	**(1,754)**
TOTAL	**125,741**	**126,073**	**(332)**

For more details on the expiry of commitments and guarantees, please see the section "Commitments to purchase commodities" in note 42.

49. Contingent liabilities and assets

The following reports the main contingent assets and liabilities at December 31, 2016, which are not recognized in the financial statements as they do not meet the requirements provided for in IAS 37.

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

The Court of Adria, in a ruling issued on March 31, 2006, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and public authorities. Damages for a number of mainly private parties (individuals and environmental associations), were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (Ministry for the Environment, a number of public entities of Veneto and Emilia Romagna, including the area's park agencies) was postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due.

An appeal was lodged against the ruling of the Court of Adria and on March 12, 2009, the Court of Appeal of Venice partially reversed the lower court decision. It found that the former directors had not committed a crime and that there was no environmental damage and therefore ordered recovery of the provisional award already paid. The prosecutors and the civil claimants lodged an appeal against the ruling with the Court of Cassation. In a ruling on January 11, 2011, the Court of Cassation granted the appeal, overturning the decision of the Venice Court of Appeal, and referred the case to the civil section of the Venice Court of Appeal to rule as regards payment of damages and the division of such damages among the accused. As regards amounts paid to a number of public entities in Veneto, Enel has already made payment under a settlement agreement reached in 2008. With a suit lodged in July 2011, the Ministry for the Environment, the public entities of Emilia Romagna and the private actors who had already participated as injured parties in the criminal case asked the Venice Court of Appeal to order Enel SpA and Enel Produzione to pay civil damages for harm caused by the emissions from the Porto Tolle power station. The amount of damages requested for economic and environmental losses was about €100 million, which Enel contested. During 2013, an agreement was reached – with no admission of liability by Enel/Enel Produzione – with the public entities of Emilia Romagna to express social solidarity in line with the general sustainability policies of the Group. The suits with the Ministry and private parties (environmental associations and a number of resident individuals, who have received no payments from Enel during the proceedings) remain open. On July 10, 2014, the decision of the Venice Court of Appeal was filed ordering the defendants, jointly with Enel/Enel Produzione, to pay damages in the amount of €312,500, plus more than €55,000 in legal expenses. The Ministry's request for calculation of the amount of damages it claimed it was owed was deemed inadmissible, as grounds for barring such action arose in the course of the criminal proceedings. In the meantime the Court issued a general conviction with damages to be awarded in a separate decision and ordered payment of legal costs. Enel ledged an appeal with the Court of Cassation in February 2015 of the ruling of the Venice Court of Appeal of July 10, 2014 and is currently waiting for the date of the hearing to be set.

In August 2011, the Public Prosecutor's Office of Rovigo asked that a number of directors, former directors, officers, former officers and employees of Enel and Enel Produzione be remanded for trial on the charge of willful omission to take precautionary actions to prevent a disaster in respect of the alleged emissions from the Porto Tolle plant. Subsequently, the public prosecutor filed charges of willfully causing a disaster. During 2012, the pre-trial hearing judge of Rovigo, granting the request of the Public Prosecutor's Office of Rovigo, ordered the committal for trial of all of the accused for both offences. The Ministry for the Environment, the Ministry of Health and other actors, mainly local authorities in Emilia Romagna and Veneto, as well as the park agencies of the area, joined the case as injured parties, seeking unspecified damages from the above individuals, without citing Enel or Enel Produzione as liable parties. Evidence was submitted during 2013. During the year, as part of the agreement mentioned earlier, most of the public entities withdrew their suits.

At the hearing of March 31, 2014, the Court sitting en banc issued its ruling of first instance, acquitting all of the accused of the charge of willful omission to take precautionary safety measures. The Court also acquitted all of the accused of the charge of willfully causing a disaster, with the exception of the two former Chief Executive Officers of Enel SpA (although the Court did not grant the request for recognition of aggravating circumstances as provided for when the disaster actually occurs). The former Chief Executive Officers were then ordered to pay unspecified damages in a separate civil action, with a total provisional ruling of €410,000 and payment of court costs for the remaining civil parties to the action. The Court's full ruling was filed at the end of September 2014. The decision was appealed by the two former Chief Executive Officers and by the public prosecutor at the start of November 2014. Further appeals were later filed by (i) the Chief Executive Officer in office until 2014, despite having been acquitted, in order to obtain the denial of the grounds for appeal of the prosecutor and a broader acquittal than that obtained in the first trial; (ii) two local authorities that had not initially participated; (iii) the two Ministries (Environment and Health) and (iv) the Italia Nostra association.

The appellate level of the proceeding before the Court of Appeals of Venice was completed on January 18, 2017 with the acquittal of all defendants on the grounds that "no crime was committed".

Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

A criminal proceeding was held before the Court of Brindisi concerning the Brindisi Sud thermal plant. A number of employees of Enel Produzione – in 2013 cited as a liable party in civil litigation – have been accused of causing criminal damage and dumping of hazardous substances with regard to the alleged contamination of land adjacent to the plant with coal dust as a result of actions between 1999 and 2011. At the end of 2013, the accusations were extended to cover 2012 and 2013. As part of the proceeding, injured parties, including the Province and City of Brindisi, have submitted claims for total damages of about €1.4 billion. In its decision of October 26, 2016, the Court of Brindisi: (i) acquitted nine of the thirteen defendants (employees/managers of Enel Produzione) for not having committed the offense; (ii) ruled that it did not have to proceed as the offense was time-barred for two of the defendants; (and iii) convicted the remaining two defendants, sentencing them with all the allowances provided for by law to nine months' imprisonment. With regard to payment of damages, the Court's ruling also: (i) denied all claims of public parties and associations acting in the criminal proceeding to recover damages; and (ii) granted most of the claims filed by the private parties acting to recover damages, referring the latter to the civil courts for quantification without granting a provisional award.

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

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

Out-of-court disputes and litigation connected with the blackout of September 28, 2003

In the wake of the blackout that occurred on September 28, 2003, numerous claims were filed against Enel Distribuzione for automatic and other indemnities for losses. These claims gave rise to substantial litigation before justices of the peace, mainly in the regions of Calabria, Campania and Basilicata, with a total of some 120,000 proceedings. Charges in respect of such indemnities could be recovered in part under existing insurance policies. Most of the initial rulings by these judges found in favor of the plaintiffs, while appellate courts have nearly all found in favor of Enel Distribuzione. The Court of Cassation has also consistently ruled in favor of Enel Distribuzione. At December 31, 2016 pending cases numbered about 15,000 as a result of additional appeals filed. In addition, in view of the rulings in Enel's favor by both the courts of appeal and the Court of Cassation, the flow of new claims has come to a halt. Beginning in 2012, a number of actions for recovery were initiated, which continue, to obtain repayment of amounts paid by Enel in execution of the rulings in the courts of first instance.

In May 2008, Enel served its insurance company (Cattolica) a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings. The case also involved a number of reinsurance companies in the proceedings, which have challenged Enel's claim. In a ruling of October 21, 2013, the Court of Rome granted Enel's petition, finding the insurance coverage to be valid and ordering Cattolica, and consequently the reinsurance companies, to hold Enel harmless in respect of amounts paid or to be paid to users and their legal counsel as well as, within the limits established by the policies, to pay defense costs.

Subsequently, Cattolica appealed the ruling of the court of first instance of October 21, 2013, before the Rome Court of Appeal, asking that it be overturned. The suit was adjourned until February 23, 2018 for final pleadings.

On the basis of the ruling of October 21, 2013, in October 2014, Enel filed suit against Cattolica with the Court of Rome to obtain a quantification of the amounts due to Enel and payment of those amounts by Cattolica. At the hearing of October 3, 2016, the court denied the counterparties' petition for a suspension of the proceeding pending completion of the appeals process, granting time for the filing of briefs and adjourning the case for the examination of motions to July 4, 2017.

BEG litigation

Following an arbitration proceeding initiated by BEG SpA in Italy, Enelpower obtained a ruling in its favor in 2002, which was upheld by the Court of Cassation in 2010, which entirely rejected the complaint with regard to alleged breach by Enelpower of an agreement concerning the construction of a hydroelectric power station in Albania. Subsequently, BEG, acting through its subsidiary Albania BEG Ambient Shpk, filed suit against Enelpower and Enel SpA in Albania concerning the matter, obtaining a ruling from the District Court of Tirana, upheld by the Albanian Court of Cassation, ordering Enelpower and Enel to pay tortious damages of about €25 million for 2004 as well as an unspecified amount of tortious damages for subsequent years. Following the ruling, Albania BEG Ambient demanded payment of more than €430 million from Enel.

The European Court of Human Rights, with which Enelpower SpA and Enel SpA had filed an appeal for violation of the right to a fair trial and the rule of law by the Republic of Albania, rejected the petition as inadmissible. The ruling was purely procedural and did not address the substance of the suit.

With a ruling of June 16, 2015, the first level was completed in the additional suit lodged by Enelpower SpA and Enel SpA with the Court of Rome asking the Court to ascertain the liability of BEG SpA for having evaded compliance with the arbitration ruling issued in Italy in favor of Enelpower SpA through the legal action taken by Albania BEG Ambient Shpk. With this action, Enelpower SpA and Enel SpA asked the Court to find BEG SpA liable and order it to pay damages in the amount that the other could be required to pay to Albania BEG Ambient Shpk in the event of the enforcement of the sentence issued by the Albanian courts. With the ruling, the Court of Rome found that BEG SpA did not have standing to be sued, or alternatively, that the request was not admissible for lack of an interest for Enel SpA and Enelpower SpA to sue, as the Albanian ruling had not yet been declared enforceable in any court. The Court ordered the setting off of court costs. Enel SpA and Enelpower SpA appealed the ruling before the Rome Court of Appeal, asking that it be overturned in full. The next hearing is scheduled for November 14, 2018.

On November 5, 2016, Enel SpA and Enelpower SpA filed a petition with the Albanian Court of Cassation, asking for the ruling issued by the District Court of Tirana on March 24, 2009 to be voided.

Proceedings undertaken by Albania BEG Ambient Shpk to obtain enforcement of the ruling of the District Court of Tirana of March 24, 2009

France

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

Subsequently, again at the initiative of Albania BEG Ambient Shpk, Enel France was served with two "*Saise Conservatoire de Créances*" (orders for the precautionary attachment of receivables) to conserve any receivables of Enel SpA in respect of Enel France.

State of New York

In March 2014, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA in New York to render the ruling of the Albanian court enforceable in the State of New York.
On April 22, 2014, in response to a motion filed by Enel and Enelpower, the court revoked the previous ruling issued with no hearing of the parties against the companies freezing assets of around $600 million. The suit is pending and no measures, preliminary or otherwise, have been taken by the court. On April 27, 2015, Enel SpA and Enelpower SpA asked for the case to be transferred from the New York state courts to the federal courts. In a ruling of March 10, 2016, the federal court referred the case to the New York state court, where the case is proceeding. Enel SpA and Enelpower SpA appealed the decision denying the pleading that the New York state courts had no jurisdiction. The hearing was held on February 14, 2017 and a decision is pending.

The Netherlands

On June 2, 2014 Albania BEG Ambient Shpk obtained an order from the court in the Hague, based upon the preliminary injunction, freezing up to €440 million held with a number of entities and the establishment of a lien on the shares of two subsidiaries of Enel SpA in that country. Enel SpA and Enelpower SpA challenged that ruling and on July 1, 2014, the Dutch court, in granting the petition of Enel and Enelpower, provisionally determined the value of the suit at €25 million and ordered the removal of the preliminary injunction subject to the issue of a bank guarantee in the amount of €25 million by Enel and Enelpower. Enel and Enelpower have appealed this ruling.
On July 3, 2014, Albania BEG Ambient Shpk sought to obtain a second order to frieze assets. Following the hearing of August 28, 2014, the court in the Hague granted a preliminary injunction for the amount of €425 million on September 18, 2014.
In a ruling of February 9, 2016, the Hague Court of Appeal upheld the appeals, ordering the revocation of the preliminary injunctions subject to the pledging of a guarantee by Enel of €440 million and a counter-guarantee by Albania BEG Ambient Shpk of about €50 million (the estimated value of the losses of Enel and Enelpower from the seizure of assets and the pledge of bank guarantees). Enel's guarantee was issued on March 30, 2016. Albania BEG Ambient Shpk did not issue its counter-guarantee.
On April 4, 2016, Albania BEG Ambient Shpk appealed the ruling of February 9, 2016 before the Court of Cassation in the Netherlands. Enel and Enelpower filed on May 20, 2016 and are waiting for a hearing date to be set.
At the end of July 2014, Albania BEG Ambient Shpk filed suit with the Court of Amsterdam to render the ruling of the Albanian court enforceable in the Netherlands. On June 29, 2016, the court filed its judgment, which: (i) ruled that the Albanian ruling meet the requirements for recognition and enforcement in the Netherlands; (ii) ordered Enel and Enelpower to pay €433,091,870.00 to Albania BEG Ambient Shpk, in addition to costs and ancillary charges of €60,673.78; and (iii) denied Albania BEG Ambient Shpk's request to declare the ruling provisionally enforceable.

On June 29, 2016, Enel and Enelpower appealed the ruling. The appeal has full de novo effect. The Court of Appeal will re-examine the entire subject of the dispute. Accordingly, Enel and Enelpower will be able to present their defense in its entirety. On September 27, 2016, Albania BEG Ambient Shpk also appealed the court's ruling of June 29, 2016, to request the reversal of its partial loss on the merits.
The parties are waiting for the Court of Appeal of Amsterdam to rule on joining the two appeals proceedings now under way at the preliminary stage before that court.
On July 14, 2016, Albania BEG Ambient Shpk filed an appeal for a precautionary seizure on the basis of the decision of June 29, 2016 in the amount of €440 million with a number of entities and the seizure of the shares of three companies controlled by Enel SpA in the Netherlands. Enel appealed and in a ruling of August 26, 2016, the Court of Amsterdam decided that the precautionary measures issued in 2014 and 2016 would be revoked if Albania BEG Ambient Shpk did not provide a bank guarantee of €7 million to Enel and Enelpower by October 21, 2016. Albania BEG Ambient Shpk did not provide the guarantee and, accordingly, the seizures of the assets of Enel SpA and Enelpower SpA in the Netherlands were revoked and no longer effective as from October 21, 2016. Albania BEG Ambient Shpk appealed the decision of the Court of Amsterdam of August 26, 2016 but the proceeding was suspended pending the conclusion of the proceeding before the Court of Cassation involving the ruling of the Hague Court of Appeal of February 9, 2016.

Ireland and Luxembourg

Albania BEG Ambient Shpk also filed suits in Ireland and Luxembourg to render the ruling of the Court of Tirana enforceable in those two countries. In Ireland, the court issued a ruling on March 8, 2016 upholding the defense of Enel and Enelpower, finding that the country had no jurisdiction. Approval of the ruling by the court is pending. In Luxembourg, at the initiative of Albania BEG Ambient Shpk, J.P. Morgan Bank Luxembourg SA was also served with an order for the precautionary attachment of any receivables of Enel SpA. The proceeding to obtain enforcement of the ruling of the Court of Tirana is still under way. The court has issued no ruling.

Violations of Legislative Decree 231/2001

A case for alleged violation of Legislative Decree 231/2001 concerning the administrative liability of legal persons is pending. It involves e-distribuzione for omission of accident prevention measures. More specifically, it regards a fatal accident involving an employee of a subcontractor in Palermo in 2008, for which e-distribuzione has been charged with administrative liability for manslaughter. The trial is proceeding.

CIEN litigation - Brazil

In 1998 the Brazilian company CIEN (now Enel CIEN) signed an agreement with Tractebel for the delivery of electricity from Argentina through its Argentina-Brazil interconnection line. As a result of Argentine regulatory changes introduced as a consequence of the economic crisis in 2002, CIEN was unable to make the electricity available to Tractebel. In October 2009, Tractebel sued CIEN, which submitted its defense. CIEN cited force majeure as a result of the Argentine crisis as the main argument in its defense. Out of court, Tractebel has indicated that it plans to acquire 30% of the interconnection line involved in the dispute. In March 2014, the court granted CIEN's motion to suspend the proceedings in view of the existence of other litigation pending between the parties. The amount involved in the dispute is estimated at about R$118 million (about €27 million), plus unspecified damages. For analogous reasons, in May 2010 Furnas also filed suit against CIEN for failure to deliver electricity, requesting payment of about R$520 million (about €121 million), in addition to unspecified damages. In alleging non-performance by CIEN, Furnas is also seeking to acquire ownership (in this case 70%) of the interconnection line. CIEN's defense is similar to the earlier case. The claims put forth by Furnas were rejected by the trial court in August 2014. Furnas lodged an appeal against the latter decision, while CIEN also lodged an appeal and the proceeding is under way.

Cibran litigation - Brazil

Companhia Brasileira de Antibióticos (Cibran) has filed a number of suits against Ampla Energia e Serviços, SA (Ampla) to obtain damages for alleged losses incurred as a result of the interruption of service by the Brazilian distribution company. The Court ordered a unified technical appraisal for those cases, the findings of which were partly unfavorable to Ampla. The latter challenged the findings, asking for a new study, which led to the denial of Cibran's petition. Cibran appeal the decision and the ruling was in favor of Ampla. On December 16, 2016, Cibran filed an appeal (*recurso especial*) before the *Superior Tribunal de Justiça*, which is now being examined for admissibility.

Only two cases have been decided so far, while decisions in the remaining proceedings are still pending. The overall amount involved in all the disputes is estimated at about R$394 million (about €102 million).

With regard to the first case, in September 2014, the trial court issued a ruling against Ampla, levying a penalty of about R$200,000 (about €46,000) as well as other damages to be quantified at a later stage. Ampla appealed the ruling and the *Tribunal de Justiça* ruled in its favor. Cibran appealed that decision (*recurso especial*) before the *Superior Tribunal de Justiça* and the proceeding is under way.

With regard to the second case, on June 1, 2015, the courts issued a ruling ordering Ampla to pay R$80,000 (about €18,000) in non-pecuniary damages (less than in the first case) as well as R$96,465,103 (about €22 million) in pecuniary damages, plus interest. On July 8, 2015 Ampla appealed the decision and the proceeding is under way.

Coperva litigation - Brazil

As part of the project to expand the grid in rural areas of Brazil, in 1982 Companhia Energética do Ceará SA ("Coelce"), then owned by the Brazilian government and now an Enel Group company, had entered into contracts for the use of the grids of a number of cooperatives established specifically to pursue the expansion project. The contracts provided for the payment of a monthly fee by Coelce, which was also required to maintain the networks.

Those contracts, between cooperatives established in special circumstances and the then public-sector company, do not specifically identify the grids governed by the agreements, which has prompted a number of the cooperatives to sue Coelce asking for, among other things, a revision of the fees agreed in the contracts. These actions include the suit filed by Cooperativa de Eletrificação Rural do V do Acarau Ltda (Coperva) with a value of about R$179 million (about €42 million). Coelce was granted rulings in its favor from the trial court and the court of appeal, but Coperva filed a further appeal (*Embargo de Declaração*), which was denied in a ruling of January 11, 2016, Coperva lodged an extraordinary appeal before the *Superior Tribunal de Justiça* on February 3, 2016. The proceedings are currently under way.

El Quimbo - Colombia

A number of legal actions ("*acciones de grupo*" and "*acciones populares*") brought by residents and fishermen in the affected area are pending with regard to the El Quimbo project for the construction of a 400 MW hydroelectric plant in the region of Huila (Colombia). More specifically, the first *acción de grupo*, currently in the preliminary stage, was brought by around 1,140 residents of the municipality of Garzón, who claim that the construction of the plant would reduce their business revenues by 30%. A second action was brought, between August 2011 and December 2012, by residents and businesses/associations of five municipalities of Huila claiming damages related to the closing of a bridge (Paso El Colegio). With regard to *acciones populares*, or class action lawsuits, in 2008 a suit was filed by a number of residents of the area demanding, among other things, that the environmental permit be suspended. Another *acción popular* was brought by a number of fish farming companies over the alleged impact that filling the Quimbo basin would have on fishing in the Betania basin downstream from Quimbo. In February 2015, the Court ordered the precautionary suspension of filling operations until a number of specific requirements have been met.

The precautionary suspension was subsequently modified to permit filling to proceed, which began on June 30, 2015. However, on July 17, 2015 Emgesa received a notice modifying the precautionary measure to prohibit generation activities until ANLA (the national environmental authority) certifies that the company removed the biomass and forest waste from the Quimbo reservoir basin.

Pending the ruling, as an energy emergency has been declared, the Ministry of Energy issued a decree authorizing Emgesa to begin generation. On December 16, 2015, the Constitutional Court ruled that the presidential decree was unconstitutional and as from that date Emgesa suspended electricity generation.

On December 24, 2015, the *Ministerio de Minas y Energía* and the AUNAP (the authority for agriculture and fishing) filed a joint motion asking the criminal court to authorize generation as a precautionary measure. On January 8, 2016 the court granted the precautionary measure requested by the Ministry and the AUNAP, authorizing the temporary and immediate resumption of generation at El Quimbo. The precautionary measure granted by the court would remain in force until the Huila court issued a ruling on the substance of the case, i.e. the revocation or upholding of the precautionary measure previously issued by the local administrative court. With a decision of February 22, 2016, the Huila court issued a ruling allowing generation to continue for six months. The court ordered Emgesa to prepare a technical design that would ensure compliance with oxygen level requirements and to provide collateral of about 20,000,000,000 Colombian pesos (about €5.5 million). In a ruling of the Administrative Court of Huila of April 11, 2016 the temporary revocation of the precautionary injunction was upheld for a period of six months until October 16, 2016, which was subsequently extended for a further six months as from February 2017. During this period, Emgesa will have to demonstrate that the oxygenation system it implemented will achieve the specified oxygen levels.

Nivel de Tensión Uno proceedings - Colombia

This dispute involves an "*acción de grupo*" brought by Centro Médico de la Sabana hospital and other parties against Codensa seeking restitution of allegedly excess rates. The action is based upon the alleged failure of Codensa to apply a subsidized rate that they claim the users should have paid as *Tensión Uno* category users (voltage of less than 1 kV) and owners of infrastructure, as established in Resolution 82/2002, as amended by Resolution 97/2008. The suit is at a preliminary stage. The estimated value of the proceeding is about 337 billion Colombian pesos (about €109 million).

SAPE (formerly Electrica) arbitration proceedings - Romania

On June 11, 2007, Enel SpA entered into a Privatization Agreement with SC Electrica SA for the privatization of Electrica Muntenia Sud ("EMS"). The accord provided for the sale to Enel of 67.5% of the Romanian company. In accordance with the unbundling rules, in September 2008 the distribution and electricity sales operations were transferred to two new companies, Enel Distributie Muntenia ("EDM") and Enel Energie Muntenia ("EEM"). In December 2009, Enel transferred the entire capital of the two companies to Enel Investment Holding BV ("EIH").

On July 5, 2013, Electrica notified Enel SpA, EIH, EDM and EEM (limited to a number of claims) of a request for arbitration before the International Chamber of Commerce in Paris, claiming damages for alleged violations of specific clauses of the Privatization Agreement. More specifically, the plaintiff claimed payment of penalties of about €800 million, plus interest and additional unspecified damages.

On July 18, 2016, the ruling of the arbitration board unanimously rejecting SAPE's claims was notified, declaring them inadmissible or unfounded, and ordering SAPE to pay arbitration costs. On September 29, 2014, SAPE notified Enel and EIH that it had submitted a further arbitration request to the International Chamber of Commerce in Paris seeking around €500 million (plus interest) in connection with the put option contained in the Privatization Agreement. The put option gives SAPE the right to sell a 13.57% stake in e-distributie Muntenia and Enel Energie Muntenia. In a ruling of February 3, 2017, the arbitration board set the purchase price of the shares involved in the put option at about €400 million. The board denied the request for interest, which amounted to about €60 million.

On April 20, 2016, SAPE submitted a further request for arbitration before the International Chamber of Commerce in Paris in respect of Enel SpA and EIH concerning the failure to distribute dividends (plus interest). In September 2016, SAPE modified its arbitration claims, suing Enel Energie Muntenia and e-distributie Muntenia as well and revising its monetary claim to about €56 million. The proceeding is at the preliminary stage.

Gabčíkovo dispute - Slovakia

Slovenské elektrárne ("SE") is involved in a number of cases before the national courts concerning the 720 MW Gabčíkovo hydroelectric plant, which is administered by Vodohospodárska Výsatavba Štátny Podnik ("VV") and whose operation and maintenance, as part of the privatization of SE in 2006, had been entrusted to SE for a period of 30 years under a management agreement (the VEG Operating Agreement).

Immediately after the closing of the privatization, the Public Procurement Office (PPO) filed suit with the Court of Bratislava seeking to void the VEG Operating Agreement on the basis of alleged violations of the regulations governing public tenders, qualifying the contract as a service contract and as such governed by those regulations. In November 2011 the trial court ruled in favor of SE, whereupon the PPO immediately appealed the decision.

In parallel with the PPO action, VV also filed a number of suits, asking in particular for the voidance of the VEG Operating Agreement.

On December 12, 2014, VV withdrew unilaterally from the VEG Operating Agreement, notifying its termination on March 9, 2015, for breach of contract. On March 9, 2015, the decision of the appeals court overturned the ruling of the trial court and voided the contract as part of the action pursued by the Public Procurement Office (PPO). SE lodged an extraordinary appeal against that decision before the Supreme Court. At a hearing of June 29, 2016, the Supreme Court denied the appeal. SE then appealed the ruling to the Constitutional Court, which denied the appeal on January 18, 2017. In addition, SE lodged a request for arbitration with the Vienna International Arbitral Centre (VIAC) under the VEG Indemnity Agreement. Under that accord, which had been signed as part of the privatization between the National Property Fund (now MH Manazment) of the Slovak Republic and SE, the latter is entitled to an indemnity in the event of the early termination of the VEG Operating Agreement for reasons not attributable to SE. The arbitration court rejected the objection that it did not have jurisdiction and the arbitration proceeding continued to examine the merits of the case, with a ruling on the amount involved being deferred to any subsequent proceeding. The parties exchanged briefs and the hearing was held on February 2, 2017.

In parallel with the arbitration proceeding launched by SE, both VV and the National Property Fund (now MH Manazment) filed suits, currently pending, in the Slovakian courts to void the VEG Indemnity Agreement owing to the alleged connection of the latter with the VEG Operating Agreement. In addition, at the local level, SE was sued by VV for alleged unjustified enrichment (estimated at about €360 million plus interest) for the period from 2006 to 2015. Finally, in another proceeding before the Court of Bratislava, VV asked for SE to return the fee for the transfer from SE to VV of the technology assets of the Gabčíkovo plant as part of the privatization, with a value of about €43 million plus interest. The proceedings are at the preliminary stage and SE has asked for denial of the VV claims.

CIS and Interporto Campano

On December 4, 2009 and August 4, 2010 Enel Green Power SpA ("EGP") signed, with Interporto Campano ("IC") and Centro Ingrosso Sviluppo Campania Gianni Nappi SpA ("CIS"), respectively, a leasehold agreement with a term of more than nine years and a leasehold estate for the rooftops of the industrial sheds of the CIS and Interporto Campano in order to build and operate a photovoltaic plant.
On April 22, 2011, during construction of the plant, a fire broke out on one of the shed owned by CIS, where EGP's contractor, General Membrane SpA, was installing the plant. On March 26, 2012, with the installation work completed, a second fire broke out on another of the sheds owned by CIS. These events gave rise to a series of disputes between the parties, including two arbitration proceedings.
The first proceeding ended with a ruling declaring the joint negligence of CIS and EGP in causing the losses and ordering EGP to pay CIS about €2.5 million, equal to half of the damages originally admitted for indemnification. For the losses incurred by EGP, the arbitration board found that the contractor was liable and that EGP would have to take action against the latter to obtain damages (see the following note on the dispute with General Membrane). That ruling was appealed by both parties.
The second proceeding initiated in 2014 by CIS and Interporto Campano against EGP asking for the termination of the leasehold estate and the more-than-9-year lease as well as damages for alleged losses following breaches by EGP quantified in the amount of about €65 million, of which about €35 million for costs incurred in dismantling the photovoltaic plants. EGP first objected that the arbitration board did not have jurisdiction (arguing that it was impossible for a single board to proceed with respect to two separate contracts with different obligations), asking that the plaintiffs' claims to be denied and submitting a counterclaim against the plaintiffs for damages of about €40 million.
On January 20, 2017 EGP, CIS and IC reached an agreement to settle all claims involved in the disputes arising in relation to the fires affecting the EGP photovoltaic plant and the CIS sheds on which the plant was installed. The settlement provides for the parties to waive their reciprocal claims and reduces the lease payments to CIS and IC, as well as providing for EGP to pay CIS €2.5 million and for CIS to repay EGP – as from January 1, 2020 – the residual amounts of an advance on lease payments made by EGP on the occasion of the first fire at CIS. The agreement settles the two arbitration proceedings initiated by CIS and IC seeking payment of damages and removal of the photovoltaic plant.
Following the two fires, the tenants of the premises beneath the area covered by the photovoltaic plant had files a number of suits for damages in respect of losses incurred in the two fires.
The settlement agreement does not extinguish those ancillary disputes.

Precautionary administrative proceeding and Chucas arbitration

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

levied two fines of about $9 million on Chucas for the delays in entering service. Following the precautionary appeal of Chucas, payment of the fines was suspended.

In addition, as ICE had rejected the administrative petition, on May 27, 2015, under the provisions of the BOT contract, Chucas initiated an arbitration proceeding before the *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. The proceeding is under way and the setting of the date of the hearing is pending.

In addition, on October 3, 2015, in consideration of the violation of a number of contractual obligations (including failure to meet the deadline to complete the works) on the part of FCC Construcción América SA and FCC Construcción SA (FCC) – which had been engaged to build some of the works for the hydroelectric plant – Chucas notified the parties that it was terminating the contract for breach, enforcing the guarantees issued to it. However, the guarantees have not yet been collected pending resolution of an arbitration proceeding initiated by FCC on October 27, 2015, at the International Court of Arbitration in Paris. In its Statement of Claim, filed on June 8, 2016, FCC requested payment of about $36 million and an extension of the deadline to complete the works of about 200 days. Chucas responded by filing its own counter-claim. Chucas filed its Statement of Defense on October 7, 2016, quantifying its claim for damages as at least $38 million. The hearing was scheduled for the first week of August 2017.

Tax litigation in Brazil

Withholding tax - Ampla

In 1998, Ampla Energia e Serviços SA financed the acquisition of Coelce with the issue of bonds in the amount of $350 million ("Fixed Rate Notes" - FRN) subscribed by its Panamanian subsidiary, which had been established to raise funds abroad. Under the special rules then in force, subject to maintaining the bond until 2008, the interest paid by Ampla to its subsidiary was not subject to withholding tax in Brazil. However, the financial crisis of 1998 forced the Panamanian company to refinance itself with its Brazilian parent, which for that purpose obtained loans from local banks. The tax authorities considered this financing to be the equivalent of the early extinguishment of the bond, with the consequent loss of entitlement to the exemption from withholding tax.

In December 2005, Ampla Energia e Serviços SA carried out a spin-off that involved the transfer of the residual FRN debt and the associated rights and obligations.

On November 6, 2012, the *Câmara Superior de Recursos Fiscais* (the highest level of administrative courts) issued a ruling against Ampla, for which the company promptly asked that body for clarifications. On October 15, 2013, Ampla was notified of the denial of the request for clarification ("*Embargo de Declaração*"), thereby upholding the previous adverse decision. The company provided security for the debt and on June 27, 2014 continued litigation before the ordinary courts ("*Tribunal de Justiça*").

The amount involved in the dispute at December 31, 2016 was about €347 million.

Deadline for payment of ICMS - Ampla

In 2002, the State of Rio de Janeiro changed the deadlines for payment of the ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*) by withholding agents (to the 10th, 20th and 30th of each month - *Ley Benedicta*). Owing to liquidity problems, between September 2002 and February 2005, Ampla Energia e Serviços continued to pay the ICMS in compliance with the previous system (the 5th day of the subsequent month). Despite an informal agreement, the Brazilian tax authorities issued an assessment for late payment of the ICMS ("*multa de demora*"). Ampla appealed the measure (the highest level of administrative courts), arguing that the penalties imposed were not due owing to the application of a number of amnesties granted between 2004 and 2006. On October 25, 2015, Ampla filed the ruling issued by the Supreme Court of Brasilia (published on October 2, 2015), which ruled that the change in the deadlines for the payment of the ICMS was unconstitutional. Consequently, in 2016 the Brazilian tax authorities terminated their legal action, settling the dispute in Ampla's favor.

ICMS - Ampla and Coelce

The States of Rio de Janeiro and Ceará issued a number of tax assessments against Ampla Energia e Serviços (for the years 1996-1999 and 2007-2014) and Companhia Energética do Ceará (for the years 2003, 2004 and 2006-2011), challenging the deduction of ICMS in relation to the purchase of certain non-current assets. The companies challenged the assessments, arguing that they correctly deducted the tax and asserting that the assets, the purchase of which generated the ICMS, are intended for use in their electricity distribution activities. One of the administrative proceedings ended with a ruling partially in Ampla's favor, with a reduction in the amount due to the tax authorities. Ampla has appealed the remainder.

The amount involved in the disputes totaled approximately €71 million at December 31, 2016.

Withholding tax - Endesa Brasil

On November 4, 2014, the Brazilian tax authorities issued an assessment against Endesa Brasil SA (now Enel Brasil SA) alleging the failure to apply withholding tax to payments of allegedly higher dividends to non-resident recipients.

More specifically, in 2009, Endesa Brasil, as a result of the first-time application of the IFRS-IAS, had cancelled goodwill, recognizing the effects in equity, on the basis of the correct application of the accounting standards it had adopted. The Brazilian tax authorities, however, asserted – during an audit – that the accounting treatment was incorrect and that the effects of the cancellation should have been recognized through profit or loss. As a result, the corresponding value (about €202 million) was reclassified as a payment of income to non-residents and, therefore, subject to withholding tax of 15%.

It should be noted that the accounting treatment adopted by the company was agreed with the external auditor and also confirmed by a specific legal opinion issued by a local firm specializing in corporate law.

On December 2, 2014, the company appealed the initial ruling, arguing that its accounting treatment was correct.

In July 2016, the dispute was ruled at first instance in favor of the tax authorities. Endesa Brasil will therefore appeal the decision to the second level of administrative jurisdiction.

The overall amount involved in the dispute at December 31, 2016 was about €75 million.

50. Events after the reporting period

Renewable energy loan in Brazil

On January 4, 2017, the Enel Group and the Brazilian Development Bank ("BNDES"), the main financing agency for development in Brazil, signed a 20-year loan agreement worth around R$373 million (about €109 million) that will cover part of the investment required to build the 102 MW Apiacás hydropower plant, located in the state of Mato Grosso in Brazil's Central-West Region.
Under the provisions of the loan agreement, the first instalment of R$293 million (about €85 million) was disbursed at signing, while the second instalment of R$80 million (about €24 million) will be disbursed in early 2017, subject to the fulfilment of conditions precedent customary for this type of transaction. The loan bears an interest rate based on the TJLP (*Taxa de Juros de Longo Prazo*), the long-term interest rate reviewed quarterly by the Brazilian central bank. The TJLP currently stands at 7.5%, below the current interbank rate in Brazil of 13.63%. The TJLP is used as base rate for loans granted by BNDES to private companies whose projects are deemed eligible for federal funding.

Issue of first green bond

On January 9, 2017, Enel Finance International ("EFI") successfully placed on the European market its first green bond for institutional investors, backed by a guarantee issued by Enel. The issue totals €1,250 million and provides for repayment in one instalment at maturity on September 16, 2024, as well as the payment of a fixed-rate coupon of 1%, payable annually in arrears in September, as from September 2017. The issue price was set at 99.001% and the effective yield to maturity is equal to 1.137%. The expected date for settlement of the issue is January 16, 2017. The green bond is listed on the regulated markets of the Irish and Luxembourg Stock Exchanges. The transaction received subscriptions of about €3 billion, with considerable interest from socially responsible investors ("SRI"), enabling Enel to further diversify its investor base. The net proceeds raised from the issue – carried out under the medium-term note program of Enel and EFI (the Euro Medium Term Notes - EMTN) – will be used to finance the Enel Group's eligible green projects identified and/or to be identified in accordance with the Green Bond Principles 2016 published by the International Capital Market Association (ICMA). More specifically, the categories of projects that qualify as eligible green projects include, for example, the development, construction and repowering of renewable power plants, the development of transmission and distribution grids, and the implementation of smart grids and smart meters in the geographical areas in which the Group operates.
The operation was led by a syndicate of banks comprising Banca IMI, BofA Merrill Lynch, Crédit Agricole CIB, Citi, Deutsche Bank, HSBC, J.P. Morgan, Mizuho Securities, Natixis, SMBC Nikko and UniCredit Bank as joint-bookrunners.

Acquisition of Demand Energy

On January 11, 2017, Enel Green Power North America ("EGPNA") acquired 100% of Demand Energy Networks ("Demand Energy"), a US-based company specialized in intelligent software and energy storage systems. Enel will work with Demand Energy, which has established itself as a leader in the New York City storage market, delivering value to commercial and industrial customers, to expand deployment of the company's Distributed Energy Network Optimization System (DEN.OSTM), an intelligent software controls platform that enables real-time optimization of energy management and revolutionizes the way electricity is generated, stored and consumed.

Collaboration agreement with Saudi Electricity Company

On January 11, 2017, Enel SpA and Saudi Arabian utility Saudi Electricity Company ("SEC") signed a framework agreement for cooperation in the power distribution sector that will see the two companies work together to develop long-term strategic knowledge sharing in the latest network technologies. Under the agreement, which has a term of three years but could be extended if both parties agree to, Enel and SEC will enhance exchange of information, best practices and experiences in the distribution sector. More specifically, the two companies will share best practices and benchmarks to take the performance of distribution networks in areas like operations, efficiency and security to best-in-class levels, while also introducing a technology roadmap, aimed at digitizing distribution grids and improving energy efficiency at the service of customers. Enel and SEC will also jointly evaluate further areas of collaboration in the power distribution sector.

Agreement with Dubai Electricity and Water Authority

On January 14, 2017, Enel SpA and Dubai Electricity and Water Authority ("DEWA"), Dubai's public service infrastructure company, signed a memorandum of understanding (MoU) for cooperation in smart grids and network digitization. The MoU, which has a term of three years and could be extended if mutually agreed upon, aims to build a partnership between Enel and DEWA to facilitate the achievement of common strategic objectives and the exchange of information, experiences and studies in the areas of work outlined by the MoU, including the analysis of key performance indicators in smart grid management as well as network digitization and security. The parties will cooperate in research activities into the MoU's areas of work and will share Enel's know-how in distribution automation, renewable energy integration, smart meters and smart cities, with special reference to the role played by Enel in Expo Milano 2015, as well as DEWA's efforts in the field of smart grids. The parties will also evaluate cooperation opportunities in network technologies for Expo 2020 Dubai, given Enel's experience in building a fully-electric smart city for Expo Milano 2015 and DEWA's contribution to the development of network infrastructure and related technologies for Expo 2020.

Agreement with Aton Storage

On February 7, 2017, Enel SpA and Aton Storage, one of the leading Italian companies active in the development and manufacture of innovative storage systems, signed an agreement to cooperate in the field of renewable energy storage services. The aim is to enrich and strengthen the range of products offered to end users with innovative, high performance solutions that contribute to energy efficiency. Storage solutions play a key role in the development of renewable energy and electric mobility, sectors in which Enel is a world leader.

The battery developed by Aton was included among the new technologies that Enel presented during the Formula E event held in Marrakech on November 12, 2016, and the Capital Markets Day in London on November 22, 2016. Enel has also incorporated the Aton storage system in the manufacture of its photovoltaic panels.

Participation of Enel Green Power in the construction of a hospital in Uganda

On February 10, 2017, Enel Green Power participated in the project of Emergency and the architect Renzo Piano for the construction of a pediatric surgery hospital in Entebbe, Uganda, which will become the new center of pediatric excellence in Africa. The hospital, which will also be a training center for young doctors and nurses from Uganda and neighboring countries, will make a significant contribution to improving health standards in the area.

Enel Green Power will provide 2,600 thin-film photovoltaic modules manufactured at its 3Sun factory in Catania, for a total of 289.24 kWp (kilowatt peak), giving the new hospital energy autonomy and sustainability.

Enel included in ECPI sustainability indices for the ninth time

On February 13, 2017, Enel SpA was named for the ninth time to be part of the ECPI Sustainability Index series, which assess companies on the basis of their environmental, social and governance (ESG) performance.

Enel has been included in four of ECPI's indices:

> ECPI Global Renewable Energy Equity Index, which selects the 40 highest ESG-rated companies active in the production or trading of energy from renewable sources;
> ECPI Global Megatrend Equity Index, which includes companies that are best placed to seize the opportunities presented by long-term global macro trends;
> ECPI Euro ESG Equity Index, which is composed of the 320 companies with the largest market capitalization in

the euro-area market that satisfy ECPI ESG criteria;

> ECPI World ESG Equity Index, a broad benchmark representative of developed market companies that satisfy ECPI ESG criteria.

A key element of Enel's inclusion in the ECPI indices was its long-term strategic approach, the soundness of its operational management practices and its strong contribution to addressing social and environmental needs.

Acquisition of Brazilian distribution company CELG closes

On February 14, 2017, the Enel subsidiary Enel Brasil finalized the acquisition of about 94.8% of the share capital of Celg Distribuição, a power distribution company that operates in the Brazilian state of Goiás, for a total consideration of R$2,187 billion (about $640 million). The remaining stake of CELG will be offered to the company's current and retired employees, through a process that will allow Enel Brasil to purchase the shares not bought by those employees.

The transaction expands Enel's presence in the Brazilian distribution market, increasing Enel's customer base in Brazil from 7 million to 10 million, making Enel Brasil the second largest power distribution company in the country.

Enel invests in green start-ups in Hawaii

On February 28, 2017, Enel, acting through its US-based renewable energy subsidiary Enel Green Power North America ("EGPNA"), has become a global partner and strategic advisor of Energy Excelerator, a leading American incubator for clean energy start-ups based in Hawaii.

By joining Energy Excelerator, a non-profit organization with the mission to solve the world's energy systems challenges through innovation, Enel will access the organization's portfolio of start-ups and advise on the selection of projects to be supported by the incubator.

Hawaii has a very high penetration of renewables generation, enabling Enel to expand its innovation network, opening energy to new uses, new technologies and new people.