

Notes to the separate financial statements

1

Form and content of the financial statements

Enel SpA is a corporation (*società per azioni*) that operates in the electricity and gas sector and has its registered office in Viale Regina Margherita 137, Rome, Italy.

In its capacity as holding company, Enel SpA sets the strategic objectives for the Group and its subsidiaries and coordinates their activities. The activities that Enel SpA performs in respect of the other Group companies as part of its management and coordination function, including with regard to the Company's organizational structure, can be summarized as follows:

- > **holding company functions**, associated with the coordination of governance processes at the Group level:
 - Administration, Finance and Control;
 - Human Resources and Organization;
 - Communications;
 - Legal and Corporate Affairs;
 - Innovation and Sustainability;
 - European Affairs;
 - Audit;
- > **global business line functions**, which are responsible for coordination and development of their business in all the geographical areas in which the Group operates:
 - Global Infrastructure and Networks;
 - Global Thermal Generation;
 - Global Renewable Energy;
- > **global service functions**, which are responsible at the Group level for coordinating all information technology and purchasing activities:
 - Global Procurement;
 - Global ICT.

Within the Group, Enel SpA meets liquidity requirements primarily through cash flows generated by ordinary opera-

tions and the use of a range of sources of funds, while managing any excess liquidity appropriately.

As the Parent Company, Enel SpA has prepared the consolidated financial statements of the Enel Group for the year ending December 31, 2016, which form an integral part of this Annual Report pursuant to Article 154-ter, paragraph 1, of the Consolidated Law on Financial Intermediation (Legislative Decree 58 of February 24, 1998).

On March 16, 2017, the Board of Directors authorized the publication of these financial statements at December 31, 2016. These financial statements have undergone statutory auditing by EY SpA.

Basis of presentation

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

The financial statements have also been prepared in conformity with measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005. The financial statements consist of the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholders' equity and the statement of cash flows and the related notes.

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

expected to be settled during the normal operating cycle of the Company or within the 12 months following the close of the financial year.

The income statement is classified on the basis of the nature of costs, with separate reporting of net income/(loss) from continuing operations and net income/(loss) from any discontinued operations.

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

The income statement, the balance sheet and the statement of cash flows report transactions with related parties, the de-

inition of which is given in the section "Accounting policies and measurement criteria" for the consolidated financial statements.

The financial statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS-EU, as explained in the measurement bases applied to each individual item in the consolidated financial statements.

The financial statements are presented in euro, the functional currency of the Company, and the figures shown in the notes are reported in millions of euro unless stated otherwise.

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

2

Accounting policies and measurement criteria

The accounting policies and measurement criteria are the same, where applicable, as those adopted in the preparation of the consolidated financial statements, to which the reader should refer for more information, with the exception of those regarding equity investments in subsidiaries, associated companies and joint ventures.

Subsidiaries are all entities over which Enel SpA has control. The Company controls an entity when it is exposed to or has rights to variable returns deriving from its involvement and has the ability, through the exercise of its power over the investee, to affect its returns. Power is defined as having the concrete ability to direct the significant activities of the entity by virtue of the existence of substantive rights.

Associates comprise those entities in which Enel SpA has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of investees but not exercise control or joint control over those entities.

Joint ventures are entities over which Enel SpA exercises joint control and has rights to the net assets of the enti-

ties. Joint control means sharing control of an arrangement, which only exists when the decisions over the relevant activities require the unanimous consent of all the parties that share control.

Equity investments in subsidiaries, associates and joint ventures are measured at cost. Cost is adjusted for any impairment losses, which are reversed where the reasons for their recognition no longer obtain. The carrying amount resulting from the reversal may not exceed the original cost.

Where the loss pertaining to Enel SpA exceeds the carrying amount of the investment and the Company is obligated to perform the legal or constructive obligations of the investee or in any event to cover its losses, the excess with respect to the carrying amount is recognized in liabilities in the provision for risks and charges.

In the case of a disposal, without economic substance, of an investment to an entity under common control, any difference between the consideration received and the carrying amount of the investment is recognized in equity.

Dividends from equity investments are recognized in profit or loss when the shareholders' right to receive them is established.

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

Recent accounting standards

For information on recent accounting standards, please refer to the corresponding section of the notes to the consolidated financial statements.

Information on the Income Statement

Revenue

4.a Revenue from sales and services - €197 million

“Revenue from sales and services” breaks down as follows.

Millions of euro

| | 2016 | 2015 | Change |
|--|------------|------------|-------------|
| Services | | | |
| Group companies | 197 | 237 | (40) |
| Non-Group counterparties | - | - | - |
| Total revenue from sales and services | 197 | 237 | (40) |

Revenue from “services” amounted to €197 million and essentially regards services provided by the Company to subsidiaries as part of its management and coordination function and the rebilling of sundry expenses incurred by it but pertaining to the subsidiaries. That revenue decreased by €40 million compared with the previous year, mainly due to a reduction of €69 million in revenue from communication activities, reflecting the new organizational structure of the Group, which transferred part of communication activities from the holding company to the Countries. This factor was

partially offset by an increase of €30 million in revenue from management fees and technical fees as a result of increased activity with the foreign subsidiaries.

“Revenue from sales and services” breaks down by geographical area as follows:

- > €129 million in Italy (€179 million in 2015);
- > €46 million in the European Union (€30 million in 2015);
- > €13 million in non-EU Europe (€8 million in 2015);
- > €9 million in other countries (€20 million in 2015).

4.b Other revenue and income - €10 million

“Other revenue and income” came to €10 million in 2016. In both 2016 and the previous year it mainly regarded se-

conded personnel, up €2 million from the previous year (€8 million in 2015).

Costs

5.a Consumables - €1 million

Purchases of “consumables” came to €1 million, unchanged from the previous year. They comprise purchases from

non-Group suppliers of consumable materials of various kinds.

5.b Services, leases and rentals - €152 million

Costs for “services, leases and rentals” break down as follows.

Millions of euro

| | 2016 | 2015 | Change |
|---|------------|------------|-------------|
| Services | 135 | 182 | (47) |
| Leases and rentals | 17 | 17 | - |
| Total services, leases and rentals | 152 | 199 | (47) |

Costs for “services”, totaling €135 million, concerned costs for services provided by third parties in the amount of €73 million (€124 million in 2015) and services provided by Group companies totaling €62 million (€57 million in 2015). More specifically, the decrease in costs for services provided by third parties, equal to €51 million, is mainly attributable to the decline in advertising, communication and print campaign (€37 million) and event organization costs, as a consequence of the new organizational structure adopted by the

Group, which transferred part of communication activities from the holding company to the Countries.

Costs for services rendered by Group companies increased by €4 million mainly due to higher costs incurred in respect of IT services and training provided by the subsidiary Enel Italia Srl.

Costs for “leases and rentals” mainly comprise costs for leasing assets from the subsidiary Enel Servizi Srl and were essentially unchanged on the previous year.

5.c Personnel - €166 million

Personnel costs break down as follows.

Millions of euro

| | Notes | 2016 | 2015 | Change |
|---------------------------------------|-------|------------|------------|-------------|
| Wages and salaries | | 108 | 97 | 11 |
| Social security costs | | 35 | 30 | 5 |
| Post-employment benefits | 24 | 7 | (4) | 11 |
| Other long-term benefits | 24 | 14 | 11 | 3 |
| Other costs and other incentive plans | 25 | 2 | 42 | (40) |
| Total | | 166 | 176 | (10) |

“Personnel” costs amounted to €166 million, a decrease of €10 million compared with 2015, essentially the result of the reduction of €40 million in “other costs and other incentive plans”, due essentially to the lack of personnel signing up for new early retirement schemes (€36 million). This increase was partly offset by an increase of €11 million in costs in respect of “post-employment benefits”, which in 2015 had been impacted by the reversal of the provision for the

electricity discount (€10 million), and by an increase of €16 million in wages and salaries and the associated social security costs, mainly due to an expansion of the workforce.

The item “post-employment benefits” includes cost for defined benefit plans and for defined contribution plans. In more detail, costs for defined contribution plans amounted to €6 million for 2016, an increase of €1 million compared

with 2015 as a result of the expansion of the workforce. The table below shows the average number of employees

by category compared with the previous year, and the actual number of employees at December 31, 2016.

| | Average number | | | Headcount |
|-----------------|----------------|--------------|-----------|------------------|
| | 2016 | 2015 | Change | at Dec. 31, 2016 |
| Senior managers | 256 | 212 | 44 | 253 |
| Middle managers | 580 | 549 | 31 | 579 |
| Office staff | 335 | 337 | (2) | 338 |
| Total | 1,171 | 1,098 | 73 | 1,170 |

5.d Depreciation, amortization and impairment losses - €448 million

Millions of euro

| | 2016 | 2015 | Change |
|--------------------------------|------------|------------|------------|
| Depreciation | 4 | 3 | 1 |
| Amortization | 12 | 9 | 3 |
| Impairment losses | 474 | 315 | 159 |
| Reversals of impairment losses | 42 | - | 42 |
| Total | 448 | 327 | 121 |

“Depreciation, amortization and impairment losses”, amounting to €448 million, increased by €121 million compared with the previous year (€327 million in 2015). More specifically, amortization and depreciation totaled €16 million, of which €4 million in respect of property, plant and equipment and €12 million in respect of intangible assets, an overall increase of €4 million on 2015. This mainly reflected an increase in the average stock of industrial patent and intellectual property rights as a result of investment and the entry into service of assets in the 2nd Half of 2015.

In 2016, “impairment losses” amounted to €474 million and were accounted for by the writedown of the interest in Enel Produzione SpA as a result of the price adjustment

on the sale of the interest in Slovenské elektrarne. In 2015, impairment losses amounted to €315 million, reflecting the impairment recognized on the investments in Enel Trade SpA (€250 million) and Enel Ingegneria e Ricerca SpA (€65 million).

During the year, “reversals of impairment losses” amounted to €42 million and were exclusively accounted for by the positive adjustment of the value of the interest in Enel Trade SpA, essentially reflecting the improvement compared with 2015 in the energy outlook for commodities, especially in the final months of the year.

For more information on the criteria adopted in determining those losses and reversals, please see note 13 below.

5.e Other operating expenses - €17 million

“Other operating expenses” amounted to €17 million, down €7 million on the previous year, mainly due to a reduction of €4 million in association dues paid in 2016 and the updating of estimates of positions arising in previous years in

respect of the litigation provision, which was performed on the basis of the advice of internal and external legal counsel, involving net reversals of €2 million.

Operating income amounted to a negative €577 million, a deterioration of €95 million compared with the previous year, essentially due the joint impact of the recognition in 2016 of greater impairment losses on equity investments in the amount of €159 million and a reduction of €57 million in costs in 2016 for personnel and rental and leases.

6. Income from equity investments - €2,882 million

Income from equity investments, amounting to €2,882 million, collected in full in 2016, regards dividends approved by the shareholders' meetings of the subsidiaries, associated

and other entities (€2,532 million) and the special dividend distributed in September 2016 by Enel Iberoamérica SL (€350 million).

Millions of euro

| | 2016 | 2015 | Change |
|---|--------------|--------------|------------|
| Dividends from subsidiaries and associates | 2,876 | 2,023 | 853 |
| Enel Produzione SpA | 304 | - | 304 |
| e-distribuzione SpA | 1,610 | 1,245 | 365 |
| Enel.Factor SpA | 3 | - | 3 |
| Enel Italia Srl | - | 9 | (9) |
| Enel Energia SpA | 358 | 159 | 199 |
| Enel Green Power SpA | 50 | 109 | (59) |
| Enel Iberoamérica SL | 550 | 500 | 50 |
| CESI SpA | 1 | 1 | - |
| Dividends from other entities | 6 | 1 | 5 |
| Emittenti Titoli SpA | 6 | 1 | 5 |
| Total | 2,882 | 2,024 | 858 |

7. Net financial income/(expense) from derivatives- €(340) million

This item breaks down as follows.

Millions of euro

| | 2016 | 2015 | Change |
|--|--------------|--------------|--------------|
| Income from derivatives: | | | |
| - on behalf of Group companies: | 2,515 | 2,813 | (298) |
| - income from derivatives at fair value through profit or loss | 2,515 | 2,813 | (298) |
| - on behalf of Enel SpA: | 272 | 545 | (273) |
| - income from fair value hedge derivatives | 32 | 33 | (1) |
| - income from cash flow hedge derivatives | 158 | 435 | (277) |
| - income from derivatives at fair value through profit or loss | 82 | 77 | 5 |
| Total income from derivatives | 2,787 | 3,358 | (571) |
| Expense on derivatives: | | | |
| - on behalf of Group companies: | 2,520 | 2,824 | (304) |
| - expense on derivatives at fair value through profit or loss | 2,520 | 2,824 | (304) |
| - on behalf of Enel SpA: | 607 | 200 | 407 |
| - expense on fair value hedge derivatives | 27 | 27 | - |
| - expense on cash flow hedge derivatives | 497 | 102 | 395 |
| - expense on derivatives at fair value through profit or loss | 83 | 71 | 12 |
| Total expense from derivatives | 3,127 | 3,024 | 103 |
| TOTAL NET FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES | (340) | 334 | (674) |

Net expense from derivatives amounted to €340 million (compared with net income of €334 million in 2015) and essentially reflects the net expense from derivatives entered into on behalf of Enel SpA.

The negative change of €674 million over 2015 reflected higher net expense on cash flow hedge derivatives (€672 mil-

lion), all entered into on behalf of Enel SpA on both interest rates and exchange rates.

For more details on derivatives, please see note 31 "Financial instruments" and note 33 "Derivatives and hedge accounting".

8. Other net financial income/(expense) - €(423) million

This item breaks down as follows.

Millions of euro

| | 2016 | 2015 | Change |
|---|--------------|----------------|--------------|
| Other financial income | | | |
| Interest income | | | |
| Interest income on long-term financial assets | 4 | 5 | (1) |
| Interest income on short-term financial assets | 42 | 65 | (23) |
| Total | 46 | 70 | (24) |
| Positive exchange rate differences | 398 | 5 | 393 |
| Income on fair value hedges - post-hedge adjustment | 8 | 4 | 4 |
| Other financial income | 104 | 98 | 6 |
| Total other financial income | 556 | 177 | 379 |
| Other financial expense | | | |
| Interest expense | | | |
| Interest expense on bank borrowings | 32 | 25 | 7 |
| Interest expense on bonds | 840 | 930 | (90) |
| Interest expense on other borrowings | 54 | 1 | 53 |
| Total | 926 | 956 | (30) |
| Negative exchange rate differences | 44 | 279 | (235) |
| Interest expense on post-employment and other employee benefits | 6 | 6 | - |
| Other financial expense | 3 | 2 | 1 |
| Total other financial expense | 979 | 1,243 | (264) |
| TOTAL OTHER NET FINANCIAL INCOME/(EXPENSE) | (423) | (1,066) | 643 |

Other net financial expense amounted to €423 million, mainly reflecting interest expense on borrowings (€926 million), partly offset by positive exchange rate differences in the amount of €398 million and by other financial income on guarantees granted on behalf of Group companies in the amount of €94 million. The decrease of €643 million in net fi-

ancial expense over 2015 primarily reflected the combined impact of the increase of €393 million in exchange rate gains and the decrease of €235 million in exchange rate losses, both on hedged loans denominated in foreign currencies, which were affected by the positive developments in the euro against the dollar and the pound sterling.

9. Income taxes - €(178) million

Millions of euro

| | 2016 | 2015 | Change |
|----------------------|--------------|--------------|-----------|
| Current taxes | (184) | (197) | 13 |
| Deferred tax income | 6 | (2) | 8 |
| Deferred tax expense | - | (2) | 2 |
| Total | (178) | (201) | 23 |

Income taxes for 2016 showed a creditor position of €178 million, mainly as a result in the reduction in the tax base for the corporate income tax (IRES) compared with income before taxes due to the exclusion of 95% of the dividends received from the subsidiaries and the deductibility of Enel SpA's interest expense for the Group's consolidated taxation mechanism in accordance with corporate income tax law (Article 96 of the Uniform Income Tax Code).

The decrease of €23 million compared with the previous year (a creditor position of €201 million) is largely attributable to non-recurring items.

The following table reconciles the theoretical tax rate with the effective tax rate.

Millions of euro

| | 2016 | % rate | 2015 | % rate |
|--|--------------|---------------|--------------|---------------|
| Income before taxes | 1,542 | | 810 | |
| Theoretical corporate income taxes (IRES) (27.5%) | 424 | 27.5% | 223 | 27.5% |
| Tax decreases: | | | | |
| - dividends from equity investments | (753) | -48.8% | (529) | -65.3% |
| - prior-year writedowns | (13) | -0.8% | (10) | -1.2% |
| - other | (7) | -0.5% | (11) | -1.4% |
| Tax increases: | | | | |
| - writedowns/(writebacks) for the year | 119 | 7.7% | 86 | 10.6% |
| - accruals to provisions | 7 | 0.5% | 17 | 2.1% |
| - prior-year expense | 3 | 0.2% | 2 | 0.2% |
| - other | 25 | 1.6% | 32 | 4.0% |
| Total current corporate income taxes (IRES) | (195) | -12.6% | (190) | -23.5% |
| IRAP | - | - | - | - |
| Difference on estimated income taxes from prior years | 11 | 0.7% | (7) | -0.9% |
| Total deferred tax items | 6 | 0.4% | (4) | -0.5% |
| - of which impact of change in tax rate | 1 | | 7 | |
| - of which changes for the year | 5 | | (11) | |
| TOTAL INCOME TAXES | (178) | -11.5% | (201) | -24.8% |

Information on the Balance Sheet

Assets

10. Property, plant and equipment - €9 million

Developments in property, plant and equipment for 2015 and 2016 are set out in the table below.

| Millions of euro | Land | Buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Leasehold improvements | Total |
|---------------------------------|----------|-----------|---------------------|-------------------------------------|--------------|------------------------|-------------|
| Cost | 1 | 3 | 3 | 5 | 19 | 33 | 64 |
| Accumulated depreciation | - | (2) | (3) | (5) | (18) | (28) | (56) |
| Balance at Dec. 31, 2014 | 1 | 1 | - | - | 1 | 5 | 8 |
| Capital expenditure | - | - | - | - | - | 2 | 2 |
| Depreciation | - | - | - | - | - | (3) | (3) |
| Total changes | - | - | - | - | - | (1) | (1) |
| Cost | 1 | 3 | 3 | 5 | 19 | 35 | 66 |
| Accumulated depreciation | - | (2) | (3) | (5) | (18) | (31) | (59) |
| Balance at Dec. 31, 2015 | 1 | 1 | - | - | 1 | 4 | 7 |
| Capital expenditure | - | - | - | - | 1 | 5 | 6 |
| Depreciation | - | - | - | - | (1) | (3) | (4) |
| Total changes | - | - | - | - | - | 2 | 2 |
| Cost | 1 | 3 | 3 | 5 | 20 | 40 | 72 |
| Accumulated depreciation | - | (2) | (3) | (5) | (19) | (34) | (63) |
| Balance at Dec. 31, 2016 | 1 | 1 | - | - | 1 | 6 | 9 |

“Property, plant and equipment” totaled €9 million, an increase of €2 million compared with the previous year, essentially attributable to the positive net balance between capital expenditure during the year (€6 million) and depreciation for

the period (€4 million). “Leasehold improvements” mainly regard the renovation and redevelopment of a number of buildings housing Enel SpA’s headquarters.

11. Intangible assets - €18 million

“Intangible assets”, all of which have a finite useful life, break down as follows.

| Millions of euro | Industrial patents and intellectual property rights | Other intangible assets under development | Total |
|---------------------------------|---|--|--------------|
| Balance at Dec. 31, 2014 | 10 | 1 | 11 |
| Capital expenditure | - | 13 | 13 |
| Assets entering service | 13 | (14) | (1) |
| Amortization | (9) | - | (9) |
| Total changes | 4 | (1) | 3 |
| Balance at Dec. 31, 2015 | 14 | - | 14 |
| Capital expenditure | 9 | 7 | 16 |
| Assets entering service | - | - | - |
| Amortization | (12) | - | (12) |
| Total changes | (3) | 7 | 4 |
| Balance at Dec. 31, 2016 | 11 | 7 | 18 |

“Industrial patents and intellectual property rights”, in the amount of €11 million at December 31, 2016, relate mainly to costs incurred in purchasing software as well as related evolutionary maintenance. Amortization is calculated on a straight-line basis over the item’s residual useful life (three years on average).

The amount of the item decreased by €3 million as compared with the previous year, essentially attributable to amortization for the year (€12 million), partly offset by investment for the year amounting to €9 million. The investments essentially relate to software systems to manage consolidated

and global reporting, risk and centralized finance systems.

“Other intangible assets under development” at December 31, 2016 totaled €7 million. They essentially regarded the Evolution for Energy (E4E) project, which was undertaken at the global level to harmonize and integrate processes and systems to support the global business lines and the Administration, Finance and Control, and Global Procurement functions (€3 million), as well as the New PRIMO project (€1 million), and other projects connected with the evolution of software associated with existing systems.

12. Deferred tax assets and liabilities - €370 million and €246 million

Changes in deferred tax assets and deferred tax liabilities, grouped by type of timing difference, are shown below.

Millions of euro

| | at Dec. 31, 2015 | Increase/(Decrease) taken to income statement | Increase/(Decrease) taken to equity | Other changes | at Dec. 31, 2016 |
|--|---------------------|---|--|---------------|---------------------|
| Total | | | | | Total |
| Deferred tax assets | | | | | |
| Nature of temporary differences: | | | | | |
| - accruals to provisions for risks and charges and impairment losses | 8 | (1) | - | (1) | 6 |
| - derivatives | 301 | - | (2) | - | 299 |
| - costs for capital increase | - | - | 2 | - | 2 |
| - other items | 64 | (5) | 3 | 1 | 63 |
| Total | 373 | (6) | 3 | - | 370 |
| Deferred tax liabilities | | | | | |
| Nature of temporary differences: | | | | | |
| - measurement of financial instruments | 284 | - | (45) | - | 239 |
| - other items | 7 | - | - | - | 7 |
| Total | 291 | - | (45) | - | 246 |
| Excess net deferred IRES tax assets after any offsetting | 136 | | | | 169 |
| Excess net deferred IRAP tax liabilities after any offsetting | (54) | | | | (45) |

“Deferred tax assets” totaled €370 million (€373 million at December 31, 2015), a decrease of €3 million compared with the previous year, mainly attributable to a reduction of €6 million, recognized in profit or loss, in deferred tax assets connected with provisions for risks and impairment losses, as well as other items, and an increase of €3 million in deferred tax assets recognized in equity, of which €2 million in respect of the tax provision on the transaction costs incurred by the Company in 2016 as a result of the non-proportional partial demerger of Enel Green Power SpA to Enel SpA, which increased the capital of the Parent Company by €763 million.

“Deferred tax liabilities” totaled €246 million (€291 million at December 31, 2015), a decrease of €45 million, due largely to the recognition of deferred taxes on the fair value measurement of cash flow hedge financial instruments.

The amount of deferred tax assets and liabilities was determined by applying a rate of 24% for IRES. IRAP was applied on deferred tax liabilities only at a rate of 5.57% (taking account of regional surtaxes). The amount of deferred tax assets was determined without applying IRAP, as in the coming years we do not expect to earn income subject to IRAP sufficient to reverse the temporary deductible differences.

13. Equity investments - €42,793 million

The table below shows the changes during the year for each investment, with the corresponding values at the beginning and end of the year, as well as the list of investments held in subsidiaries, associates and other companies.

| Millions of euro | Original cost | (Writedowns)/ Revaluations | Other changes - IFRIC 11 and IFRS 2 | Carrying amount | % holding | Capital contributions and loss coverage | Acquisitions/ (Disposals)/ (Settlements)/ (Repayments) |
|--------------------------------------|---------------|-------------------------------|---|--------------------|-----------|--|---|
| at Dec. 31, 2015 | | | | | | | |
| A) Subsidiaries | | | | | | | |
| Enel Produzione SpA | 4,892 | (512) | 4 | 4,384 | 100.0 | - | - |
| Enel Ingegneria e Ricerca SpA | 86 | (84) | 1 | 3 | 100.0 | - | - |
| e-distribuzione SpA | 4,054 | - | 2 | 4,056 | 100.0 | - | - |
| Enel Servizio Elettrico SpA | 110 | - | - | 110 | 100.0 | - | - |
| Enel Trade SpA | 1,401 | (250) | 1 | 1,152 | 100.0 | - | - |
| Enel Green Power SpA | 3,640 | - | 2 | 3,642 | 68.3 | - | 3,881 |
| Enel Green Power International BV | - | - | - | - | - | - | - |
| Enel Investment Holding BV | 8,498 | (4,473) | - | 4,025 | 100.0 | - | - |
| Enelpower SpA | 189 | (159) | - | 30 | 100.0 | - | - |
| OpEn Fiber SpA | 5 | - | - | 5 | 100.0 | 360 | - |
| Enel Energia SpA | 1,321 | (8) | - | 1,313 | 100.0 | - | - |
| Enel Iberoamérica SL | 18,300 | - | - | 18,300 | 100.0 | - | - |
| Enel.Factor SpA | 18 | - | - | 18 | 100.0 | - | - |
| Enel Sole Srl | 5 | - | - | 5 | 100.0 | - | - |
| Enel Italia Srl | 525 | (41) | 3 | 487 | 100.0 | - | - |
| Enel.NewHydro Srl | 70 | (54) | - | 16 | 100.0 | - | - |
| Enel Finance International NV | 1,414 | - | - | 1,414 | 100.0 | - | - |
| Total | 44,528 | (5,581) | 13 | 38,960 | | 360 | 3,881 |
| B) Joint ventures | | | | | | | |
| OpEn Fiber SpA | - | - | - | - | - | - | - |
| Total | - | - | - | - | | - | - |
| C) Associates | | | | | | | |
| CESI SpA | 23 | - | - | 23 | 42.7 | - | - |
| Total | 23 | - | - | 23 | | - | - |
| D) Other companies | | | | | | | |
| Elcogas SA | 5 | (5) | - | - | 4.3 | - | - |
| Emittenti Titoli SpA | 1 | - | - | 1 | 10.0 | - | - |
| Idrosicilia SpA | - | - | - | - | 1.0 | - | - |
| Total | 6 | (5) | - | 1 | | - | - |
| TOTAL | 44,557 | (5,586) | 13 | 38,984 | | 360 | 3,881 |

| Formation/ Contributions (+/-)/Mergers (+/-)/ Demergers(+/-) | Value adjustments | Reclassification | Balance | Original cost | (Writedowns)/ Revaluations | Other changes - IFRIC 11 and IFRS 2 | Carrying amount | % holding |
|---|----------------------|------------------|---------|------------------|-------------------------------|--|--------------------|-------------------------|
| Changes in 2016 | | | | | | | | at Dec. 31, 2016 |
| - | (474) | - | (474) | 4,892 | (986) | 4 | 3,910 | 100.0 |
| - | - | - | - | 86 | (84) | 1 | 3 | 100.0 |
| - | - | - | - | 4,054 | - | 2 | 4,056 | 100.0 |
| - | - | - | - | 110 | - | - | 110 | 100.0 |
| - | 42 | - | 42 | 1,401 | (208) | 1 | 1,194 | 100.0 |
| (983) | - | - | 2,898 | 6,538 | - | 2 | 6,540 | 100.0 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | 8,498 | (4,473) | - | 4,025 | 100.0 |
| - | - | - | - | 189 | (159) | - | 30 | 100.0 |
| - | - | (365) | (5) | - | - | - | - | - |
| - | - | - | - | 1,321 | (8) | - | 1,313 | 100.0 |
| - | - | - | - | 18,300 | - | - | 18,300 | 100.0 |
| - | - | - | - | 18 | - | - | 18 | 100.0 |
| - | - | - | - | 5 | - | - | 5 | 100.0 |
| - | - | - | - | 525 | (41) | 3 | 487 | 100.0 |
| - | - | - | - | 70 | (54) | - | 16 | 100.0 |
| 983 | - | - | 983 | 2,397 | - | - | 2,397 | 100.0 |
| - | (432) | (365) | 3,444 | 48,404 | (6,013) | 13 | 42,404 | |
| - | - | 365 | 365 | 365 | - | - | 365 | 50.0 |
| - | - | 365 | 365 | 365 | - | - | 365 | |
| - | - | - | - | 23 | - | - | 23 | 42.7 |
| - | - | - | - | 23 | - | - | 23 | |
| - | - | - | - | 5 | (5) | - | - | 4.3 |
| - | - | - | - | 1 | - | - | 1 | 10.0 |
| - | - | - | - | - | - | - | - | 1.0 |
| - | - | - | - | 6 | (5) | - | 1 | |
| - | (432) | - | 3,809 | 48,798 | (6,018) | 13 | 42,793 | |

The table below reports changes in equity investments in 2016.

Millions of euro

| Increases | |
|--|-----------------|
| Partial non-proportional demerger of Enel Green Power SpA ("EGP SpA") to Enel SpA - Acquisition of portion of EGP SpA (31.7%) held by non-controlling shareholders | 3,881 |
| Partial non-proportional demerger of Enel Green Power SpA to Enel SpA - Assignment of total interest in Enel Green Power International BV | 5,475 |
| Demerger from Enel Green Power International BV of assets and liabilities to Enel Finance International NV | 983 |
| Cross-border merger of Enel Green Power International BV into Enel Green Power SpA | 4,492 |
| Recapitalization of OpEn Fiber SpA (formerly Enel OpEn Fiber SpA) | 120 |
| Capital contribution to OpEn Fiber SpA | 236 |
| Capitalization of transaction costs on interest in OpEn Fiber SpA | 4 |
| Reclassification of interest in OpEn Fiber from "subsidiary" to "joint venture" | 365 |
| Writeback of equity investment in Enel Trade SpA | 42 |
| Total | 15,598 |
| Decreases | |
| Partial non-proportional demerger of Enel Green Power SpA to Enel SpA - Reduction in value of interest in Enel Green Power SpA | (5,475) |
| Demerger from Enel Green Power International BV of assets and liabilities to Enel Finance International NV | (983) |
| Cross-border merger of Enel Green Power International BV into Enel Green Power SpA | (4,492) |
| Reclassification of interest in OpEn Fiber from "subsidiary" to "joint venture" | (365) |
| Writedown of equity investment in Enel Produzione SpA | (474) |
| Total | (11,789) |
| NET CHANGE | 3,809 |

In 2016 the value of investments in subsidiaries, associated and other entities increased by €3,809 million as a result of:

- > the partial non-proportional demerger of Enel Green Power SpA to Enel SpA with effect as from the last moment of March 31, 2016, which involved:
 - the acquisition by Enel SpA of the share of Enel Green Power SpA held by non-controlling interests. Following the transaction, Enel SpA became the sole shareholder of Enel Green Power SpA;
 - the assignment to Enel SpA of the 100% interest in the Netherlands-registered Enel Green Power International BV and the consequent adjustment of the value of the interest in Enel Green Power SpA on the basis of the reallocation between foreign and Italian assets, as provided for in the merger instrument;
- > the demerger in October 2016 from Enel Green Power International BV of assets and liabilities with a net value of €983 million to Enel Finance International NV;
- > the cross-border merger in October 2016 of Enel Green Power International BV into Enel Green Power SpA, with

the consequent acquisition by the latter of all the assets, liabilities, rights and obligations of the merged company by way of universal succession. The merger also produced the extinction without liquidation of Enel Green Power International BV;

- > the capital increase on July 7, 2016 of the subsidiary Enel OpEn Fiber SpA (renamed OpEn Fiber SpA as from December 1, 2016) by way of payment on the intercompany current account of €120 million. Subsequently, as provided for in the framework investment agreement signed on October 10, 2016, by Enel SpA, Enel OpEn Fiber SpA, CDP Equity SpA, FSI Investimenti SpA, F2i Fondi Italiani per le Infrastrutture SGR SpA and Metroweb Italia SpA, a capital increase reserved for CDP Equity SpA was carried out in December 2016 in the amount of €125 million. In order to permit the equal capitalization of OpEn Fiber SpA by Enel SpA and CDP Equity SpA, as well as to give the company the financial resources necessary to acquire the entire share capital of Metroweb Italia SpA, in December Enel SpA executed its share of a capital contribution of

€236 million. On December 20, 2016, OpEn Fiber SpA completed the acquisition of the entire share capital of Metroweb Italia SpA from F2i Fondi Italiani per le Infrastrutture SGR SpA and FSI Investimenti SpA for about €714 million. As from that date Enel SpA and CDP Equity SpA hold equal interests in Open Fiber SpA. Accordingly, the value of the interest (including transaction costs of €4 million) recognized in the accounts of Enel SpA has been reclassified under joint ventures;

- > a writeback of €42 million in the value of the interest held in Enel Trade SpA to take account of the improvement in the outlook for energy commodities compared with 2015;

- > a writedown of €474 million in the value of the interest held in Enel Produzione SpA in order to reflect the price adjustment on the sale of Slovenské elektrarne. The writedown was calculated using a discounted cash flow model that confirmed the full recoverability of the residual value, even though it was greater than the book equity of the investee.

The following table reports the main assumptions used in determining the impairment and reversal of impairment of Enel Produzione SpA and Enel Trade SpA respectively.

| Millions of euro | Original cost | Growth rate ⁽¹⁾ | Discount rate pre-tax WACC ⁽²⁾ | Explicit period of cash flows | Terminal value ⁽³⁾ | at Dec. 31, 2016 | | | | |
|---------------------|---------------|----------------------------|---|-------------------------------|-------------------------------|------------------|----------------------------|---|-------------------------------|-------------------------------|
| | | | | | | Original cost | Growth rate ⁽¹⁾ | Discount rate pre-tax WACC ⁽²⁾ | Explicit period of cash flows | Terminal value ⁽³⁾ |
| | | | | | | at Dec. 31, 2015 | | | | |
| Enel Produzione SpA | 4,384 | 0.65% | 9.65% | 5 years | Perpetuity | - | - | - | - | - |
| Enel Trade SpA | 1,152 | 1.70% | 9.62% | 5 years | Perpetuity | 1,402 | 1.90% | 9.37% | 5 years | Perpetuity |

(1) Perpetual growth rate of cash flows after explicit period.

(2) Pre-tax WACC calculated using the iterative method: the discount rate that ensures that the value in use calculated with pre-tax cash flows is equal to that calculated with post-tax cash flows discounted with the post-tax WACC.

(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.

The recoverable value of the equity investments recognized through the impairment tests was estimated by calculating the equity value of the investments through an estimate of their value in use using discounted cash flow models, which involve estimating expected future cash flows and applying an appropriate discount rate, selected on the basis of market inputs such as risk-free rates, betas and market risk premiums.

For the purpose of comparing value with the carrying amount of the investments, the enterprise value resulting from the estimation of future cash flows was converted into the equity value by subtracting the net financial position of the investee.

Cash flows were determined on the basis of the best information available at the time of the estimate and drawn

for the explicit period, from the 5-year 2017-2021 Business Plan approved by the Board of Directors of the Parent Company containing forecasts for volumes, revenue, operating costs, capital expenditure, industrial and commercial organization and developments in the main macroeconomic variables (inflation, nominal interest rates and exchange rates) and commodity prices. The explicit period of cash flows considered in impairment testing was five years.

The terminal value was calculated as a perpetuity or annuity.

The share certificates for Enel SpA's investments in Italian subsidiaries are held in custody at Monte dei Paschi di Siena. The following table reports the share capital and shareholders' equity of the investments in subsidiaries, associates and other companies at December 31, 2016.

| | Registered office | Currency | Share capital (euro) | Shareholders' equity (millions of euro) | Prior year income/ (loss) (millions of euro) | % holding | Carrying amount (millions of euro) |
|---|-------------------|----------|----------------------|---|--|-----------|------------------------------------|
| A) Subsidiaries | | | | | | | |
| Enel Produzione SpA | Rome | Euro | 1,800,000,000 | 3,838 | (379) | 100.0 | 3,910 |
| Enel Ingegneria e Ricerca SpA | Rome | Euro | 30,000,000 | 21 | (8) | 100.0 | 3 |
| e-distribuzione SpA | Rome | Euro | 2,600,000,000 | 4,568 | 1,451 | 100.0 | 4,056 |
| Enel Servizio Elettrico SpA | Rome | Euro | 10,000,000 | 190 | 124 | 100.0 | 110 |
| Enel Trade SpA | Rome | Euro | 90,885,000 | 658 | (104) | 100.0 | 1,194 |
| Enel Green Power SpA | Rome | Euro | 272,000,000 | 6,610 | 50 | 100.0 | 6,540 |
| Enel Investment Holding BV ⁽¹⁾ | Amsterdam | Euro | 1,593,050,000 | 4,710 | 284 | 100.0 | 4,025 |
| Enelpower SpA | Milan | Euro | 2,000,000 | 30 | - | 100.0 | 30 |
| Enel Energia SpA | Rome | Euro | 302,039 | 1,759 | 680 | 100.0 | 1,313 |
| Enel Iberoamérica SL | Madrid | Euro | 500,000,000 | 20,584 | 1,104 | 100.0 | 18,300 |
| Enel.Factor SpA | Rome | Euro | 12,500,000 | 53 | 4 | 100.0 | 18 |
| Enel Sole Srl | Rome | Euro | 4,600,000 | 78 | 15 | 100.0 | 5 |
| Enel Italia Srl | Rome | Euro | 50,000,000 | 408 | 23 | 100.0 | 487 |
| Enel.NewHydro Srl | Rome | Euro | 1,000,000 | 20 | 1 | 100.0 | 16 |
| Enel Finance International NV | Amsterdam | Euro | 1,478,810,370 | 2,006 | 45 | 100.0 | 2,397 |
| B) Joint ventures | | | | | | | |
| OpEn Fiber SpA | Milan | Euro | 250,000,000 | 713 | (7) | 50.0 | 365 |
| C) Associates | | | | | | | |
| CESI SpA ⁽²⁾ | Milan | Euro | 8,550,000 | 101 | 9 | 42.7 | 23 |
| D) Other companies | | | | | | | |
| Elcogas SA ⁽²⁾ | Puertollano | Euro | 809,690 | (105) | (26) | 4.3 | - |
| Emittenti Titoli SpA ⁽²⁾ | Milan | Euro | 4,264,000 | 72 | 63 | 10.0 | 1 |
| Idrosicilia SpA ⁽²⁾ | Milan | Euro | 22,520,000 | 46 | 3 | 1.0 | - |

(1) The figures for shareholders' equity and the results for the period refer to the Group.

(2) The figures for share capital, shareholders' equity and net income refer to the financial statements at December 31, 2015.

The carrying amounts of the equity investments in Enel Italia Srl, Enel Finance International NV, as well as those in Enel Trade SpA and Enel Produzione SpA, are considered to be recoverable even though they individually exceed the value of the respective shareholders' equity at December 31, 2016. This circumstance is not felt to represent an impairment loss in respect of the investment but rather a temporary mismatch between the two amounts. More specifically:

> in the case of Enel Italia Srl it is attributable to the retroactive application of "IAS 19 - Employee benefits" in 2013, which involved the recognition of net actuarial losses and the consequent impact on the companies' shareholders' equity. As these losses are not monetary in nature, they

will be recovered in future years with no cash outflow for the subsidiaries;

> as to Enel Finance International NV, it is due essentially to a decline in the fair value of a number of balance-sheet items that are reflected in shareholders' equity.

"Equity investments in other companies" at December 31, 2016 all regard unlisted companies and are measured at cost, as the fair value cannot be reliably determined.

The investment in Elcogas was written off in 2014 and since January 1, 2015 the company, in which Enel has a stake of 4.3%, has been in liquidation. The profit participation loan of €6 million granted in 2014 has also been written down to take account of accumulated losses.

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 |
|--|-------------------------|------------------|
| Equity investments in unlisted companies measured at cost | 1 | 1 |
| Elcogas SA | - | - |
| Emittenti Titoli SpA | 1 | 1 |
| Idrosicilia SpA | - | - |

14. Derivatives - €2,469 million, €480 million, €3,082 million, €556 million

| Millions of euro | Non-current | | Current | |
|----------------------------------|-------------------------|------------------|-------------------------|------------------|
| | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Derivative financial assets | 2,469 | 2,591 | 480 | 299 |
| Derivative financial liabilities | 3,082 | 2,717 | 556 | 367 |

For more details about the nature, recognition and classification of derivative financial assets and liabilities, please see notes 31 "Financial instruments" and 33 "Derivatives and hedge accounting".

15. Other non-current financial assets - €53 million

The aggregate is composed of the following.

| Millions of euro | Notes | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|---|-------|-------------------------|------------------|-------------|
| Prepaid financial expense | | 21 | 30 | (9) |
| Other non-current financial assets included in debt | 15.1 | 32 | 77 | (45) |
| Total | | 53 | 107 | (54) |

"Prepaid financial expense" is essentially accounted for by residual transaction costs on the €10 billion revolving credit facility agreed on April 19, 2010 between Enel, Enel Finance International and Mediobanca, as well as those in respect of the Forward Start Facility Agreement signed on February 8, 2013, and the subsequent renegotiation of the facility on

February 12, 2015 in the amount of €9.4 billion. The renegotiation involved a general reduction in the cost of the facility and extended its term until 2020. The item reports the non-current portion of those costs and their reversal through profit or loss depends on the type of fee involved and the maturity of the credit line.

15.1 Other non-current financial assets included in debt - €32 million

| Millions of euro | Notes | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|------------------------------|--------|-------------------------|------------------|-------------|
| Financial receivables | | | | |
| Due from subsidiaries | 31.1.1 | 27 | 72 | (45) |
| Other financial receivables | | 5 | 5 | - |
| Total | | 32 | 77 | (45) |

“Financial receivables due from subsidiaries”, amounting to €27 million, refer to receivables in respect of the assumption by Group companies of their share of financial debt. The terms of the agreements call for the rebilling of the related finance costs and the income and expenses accrued on the interest rate risk hedging contracts, as well as the repayment of the principal upon maturity of each loan. At December 31, 2016, the entirety of this receivable regarded the subsidiary Enel Italia Srl, as the principal amounts

pertaining to the other Group companies involved (Enel Produzione SpA, e-distribuzione SpA, Enel Sole Srl) had been fully repaid as of that date.

The decrease of €45 million over December 31, 2015 is attributable to the reduction of the amount of the receivable as a result of repayment of principal and the reclassification under other current financial assets of the portion of receivables of Enel Italia Srl falling due within 12 months.

16. Other non-current assets - €188 million

This item can be broken down as follows.

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|--|------------------|------------------|--------------|
| Tax receivables | 34 | 244 | (210) |
| Receivables from subsidiaries for assumption of supplementary pension plan liabilities | 154 | 162 | (8) |
| Other long-term receivables | - | 3 | (3) |
| Total | 188 | 409 | (221) |

“Tax receivables” regard the tax credit in respect of the claim for reimbursement submitted by Enel SpA on its own behalf for 2003 and on its own behalf and as the consolidating company for 2004-2011 for excess income tax paid as a result of not partially deducting IRAP in calculating taxable income for IRES purposes. This item decreased by €210 million over the previous year mainly due to the reimbursement of nearly all (€229 million in principal and interest) of the receivable for 2004-2010 and the updating at December 31, 2016 of the accrued portion of the residual receivable following the reimbursement from the Revenue Agency.

The item “receivables from subsidiaries for assumption of supplementary pension plan liabilities” in the amount of €154 million refers to receivables in respect of the assumption by Group companies of their share of the supplementary pen-

sion plan. The terms of the agreement state that the Group companies concerned are to reimburse the costs of extinguishing defined benefit obligations of the Parent Company, which are recognized under “employee benefits”.

On the basis of actuarial forecasts made using current assumptions, the portion due beyond five years of the “receivables from subsidiaries for assumption of supplementary pension plan liabilities” came to €90 million (€100 million at December 31, 2015).

“Other long-term receivables” amounted to €0 million at December 31, 2016, a decrease of €3 million due to the collection of the receivable due from the subsidiary Enel Ingegneria e Ricerca SpA for the sale in 2011 of the interest held in Sviluppo Nucleare Italia Srl.

17. Trade receivables - €255 million

The item breaks down as follows.

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|--------------------------------|------------------|------------------|-------------|
| Trade receivables: | | | |
| - due from subsidiaries | 229 | 276 | (47) |
| - due from non-Group customers | 26 | 7 | 19 |
| Total | 255 | 283 | (28) |

Trade receivables, which totaled €255 million, consist of receivables due from subsidiaries (€229 million) and non-Group customers (€26 million).

Trade receivables due from subsidiaries primarily regard the management and coordination services and other activities performed by Enel SpA on behalf of Group companies. The decrease of €47 million over December 31, 2015 is linked both with the new organizational structure of the Group, which transferred part of communication activities from the

holding company to the Countries, and with developments in the revenue associated with those services.

Trade receivables due from non-Group customers regard services of various types. They totaled €26 million, an increase of €19 million compared with December 31, 2015, attributable to the exit of a number of companies from the Group.

Trade receivables due from subsidiaries break down as follows.

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|--|------------------|------------------|-------------|
| Subsidiaries | | | |
| Enel Iberoamérica SL | 2 | 1 | 1 |
| Enel Produzione SpA | 16 | 23 | (7) |
| e-distribuzione SpA | 34 | 44 | (10) |
| Enel Green Power SpA | 16 | 17 | (1) |
| Enel Américas SA | 4 | 3 | 1 |
| Endesa SA | - | (1) | 1 |
| Enel Servizio Elettrico SpA | 4 | 3 | 1 |
| Enel Trade SpA | 4 | 5 | (1) |
| Enel Energia SpA | 10 | 7 | 3 |
| Enel Italia Srl | 9 | 78 | (69) |
| Enel.si Srl | - | 1 | (1) |
| Enel Green Power North America Inc. | 1 | 1 | - |
| Enel Russia PJSC | 17 | 18 | (1) |
| Endesa Distribución Eléctrica SL | 36 | 19 | 17 |
| Endesa Generación SA | 20 | 3 | 17 |
| Endesa Energía SA | 5 | 4 | 1 |
| Enel Romania Srl | 4 | 4 | - |
| Enel Brasil SA | 13 | 15 | (2) |
| Enel Distribución Perú SAA | 5 | 2 | 3 |
| Enel Generación Perú SAA | 5 | 2 | 3 |
| Slovenské elektrárne AS | - | 16 | (16) |
| Unión Eléctrica de Canarias Generación SAU | 5 | 1 | 4 |
| Other | 19 | 10 | 9 |
| Total | 229 | 276 | (47) |

Trade receivables by geographical area are shown below.

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|---------------|------------------|------------------|-------------|
| Italy | 96 | 181 | (85) |
| EU | 103 | 56 | 47 |
| Non-EU Europe | 6 | 22 | (16) |
| Other | 50 | 24 | 26 |
| Total | 255 | 283 | (28) |

18. Income tax receivables - €212 million

Income tax receivables at December 31, 2016 amounted to €212 million and essentially regard the Company's IRES credit for current 2016 taxes (€195 million) and the receivable with respect to consolidated IRES return for 2015 (€14 million).

19. Other current financial assets - €4,221 million

This item can be broken down as follows.

Millions of euro

| | Notes | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|---|-------|------------------|------------------|------------|
| Other current financial assets included in net financial debt | 19.1 | 3,912 | 3,052 | 860 |
| Other sundry current financial assets | | 309 | 351 | (42) |
| Total | | 4,221 | 3,403 | 818 |

19.1 Other current financial assets included in debt - €3,912 million

Millions of euro

| | Notes | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|--|--------|------------------|------------------|------------|
| Financial receivables due from Group companies: | | | | |
| - short-term financial receivables (intercompany current accounts) | 31.1.1 | 2,849 | 2,912 | (63) |
| - current portion of receivables for assumption of loans | 31.1.1 | 45 | 46 | (1) |
| Financial receivables due from others: | | | | |
| - current portion of long-term financial receivables | | 1 | - | 1 |
| - other financial receivables | | 5 | 8 | (3) |
| - cash collateral for margin agreements on OTC derivatives | 31.1.1 | 1,012 | 86 | 926 |
| Total | | 3,912 | 3,052 | 860 |

"Other current financial assets included in debt", amounting to €3,912 million at December 31, 2016, refer to "financial receivables due from Group companies" (€2,894 million) and "financial receivables due from others" (€1,018 million). "Financial receivables due from Group companies" decreased by €64 million over December 31, 2015, due to the decli-

ne in short-term financial receivables due from Group companies on the intercompany current account (€63 million).

"Financial receivables due from others" increased by €924 million, essentially attributable to the increase in cash collateral paid to counterparties for OTC derivatives on interest rates and exchange rates.

20. Other current assets - €299 million

At December 31, 2016, the item broke down as follows.

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|--|------------------|------------------|--------------|
| Tax receivables | 34 | 21 | 13 |
| Other receivables due from Group companies | 261 | 422 | (161) |
| Receivables due from others | 4 | 17 | (13) |
| Total | 299 | 460 | (161) |

“Other current assets” decreased by €161 million as compared with December 31, 2015.

“Tax receivables” amounted to €34 million, primarily accounted for by the VAT receivable for the Group (€27 million) and other receivables with respect to prior-year income taxes (€7 million). The increase of €13 million on the previous year is essentially due to the larger VAT receivable for the Group.

“Other receivables due from Group companies” comprise IRES receivables in respect of the Group companies participating in the consolidated taxation mechanism (€208 mil-

lion), and VAT receivables in respect of participating in the Group VAT mechanism (€53 million). The decrease of €161 million on the previous year is essentially attributable to a decline in intercompany IRES receivables connected with the consolidated taxation mechanism (€104 million), and the Group consolidated VAT mechanism (€57 million).

“Receivables due from others” amounted to €4 million at December 31, 2016, a decrease of €13 million over the previous year, mainly reflecting the decline in the value of pre-paid expenses (€9 million).

21. Cash and cash equivalents - €3,038 million

Cash and cash equivalents are detailed in the following table.

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|-----------------------------------|------------------|------------------|----------------|
| Bank and post office deposits | 3,038 | 5,925 | (2,887) |
| Cash and cash equivalents on hand | - | - | - |
| Total | 3,038 | 5,925 | (2,887) |

Cash and cash equivalents amounted to €3,038 million, a decrease of €2,887 million compared with December 31, 2015, mainly due to the impact of the redemption and repurchase of a number of bonds, the payment of dividends

during 2015 as approved by the Shareholders’ Meeting of Enel SpA on May 26, 2016, as well as normal operations connected with the central treasury function performed by the Parent Company.

Liabilities

22. Shareholders’ equity - €26,916 million

Shareholders’ equity amounted to €26,916 million, up €2,036 million compared with December 31, 2015. The increase is attributable to net income for the year (€1,610 million), the partial, non-proportional demerger of the subsidiary Enel Green Power to Enel SpA, which involved increases in share capital and the share premium reserve (€764 million and €2,204

million respectively), the distribution of the dividend for 2015 in the amount of €0.16 per share (for a total of €1,627 million), as approved by the shareholders on May 26, 2016, and the interim dividend for 2016 approved by the Board of Directors on November 10, 2016 and paid as from January 25, 2017 (€0.09 per share, for a total of €915 million).

Share capital - €10,167 million

At December 31, 2016, the share capital of Enel SpA amounted to €10,166,679,946 fully subscribed and paid up, represented by 10,166,679,946 ordinary shares with a par value of €1.00 each. The share capital of Enel SpA has therefore increased by €763,322,151 compared with the €9,403,357,795 registered at December 31, 2015, as a result of the partial, non-proportional demerger of the subsidiary Enel Green Power SpA to Enel SpA, which took effect as from March 31, 2016.

Other reserves - €11,410 million

Share premium reserve - €7,496 million

Following the partial, non-proportional demerger of Enel Green Power SpA to Enel SpA, the share premium reserve increased by €2,212 million. This was partially offset by the recognition of transaction costs of €11 million and the associated overall tax effect of €3 million. As a result, at December 31, 2016 the reserve amounted to €7,496 million.

Legal reserve - €2,034 million

The legal reserve, following the allocation of net income for 2015 by the Shareholders' Meeting of May 26, 2016, is equal to 20.0% of share capital, as indicated in Article 2430, paragraph 1, of the Italian Civil Code.

Reserve pursuant to Law 292/1993 - €2,215 million

The reserve shows the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company.

In the case of a distribution of this reserve, the tax treatment for capital reserves as defined by Article 47 of the Uniform Income Tax Code shall apply.

Other sundry reserves - €68 million

Other sundry reserves include €19 million related to the reserve for capital grants, which reflects 50% of the grants received from Italian public entities and EU bodies in applica-

tion of related laws for new works (pursuant to Article 55 of Presidential Decree 917/1986), which is recognized in equity in order to take advantage of tax deferral benefits. It also includes €29 million in respect of the stock option reserve and €20 million for other reserves.

At the same date, 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, which holds 23.585%, and BlackRock Inc. (5.049% held as at November 30, 2016, through subsidiaries, for asset management purposes).

tion of related laws for new works (pursuant to Article 55 of Presidential Decree 917/1986), which is recognized in equity in order to take advantage of tax deferral benefits. It also includes €29 million in respect of the stock option reserve and €20 million for other reserves.

Reserve from measurement of financial instruments - €(376) million

At December 31, 2016, the item was entirely represented by the reserve from measurement of cash flow hedge derivatives with a negative value of €376 million (net of the positive tax effect of €59 million).

Reserve from remeasurement of net employee benefit plan liabilities/(assets) - €(27) million

At December 31, 2016, the employee benefit plan reserve amounted to €27 million (net of the positive tax effect of €6 million). The reserve includes all actuarial gains and losses recognized directly in equity, as the corridor approach is no longer permitted under the revised version of "IAS 19 - Employee benefits".

The table below provides a breakdown of changes in the reserve from measurement of financial instruments and the reserve from measurement of defined benefit plan liabilities/assets in 2015 and 2016.

| Millions of euro | | Gross gains/ (losses) recognized in equity for the year | Gross released to income statement | Taxes | | Gross gains/ (losses) recognized in equity for the year | Gross released to income statement | Taxes | |
|--|--------------------|---|---|-------------|---------------------|---|---|-----------|---------------------|
| | at Jan. 1, 2015 | | | | at Dec. 31, 2015 | | | | at Dec. 31, 2016 |
| Reserve from measurement of cash flow hedge financial instruments | (332) | 441 | (334) | (52) | (277) | (479) | 339 | 41 | (376) |
| Reserve from remeasurement of net employee benefit plan liabilities/(assets) | (10) | (5) | - | (1) | (16) | (15) | - | 4 | (27) |
| Gains/(Losses) recognized directly in equity | (342) | 436 | (334) | (53) | (293) | (494) | 339 | 45 | (403) |

Retained earnings/(Loss carried forward) - €4,534 million

For 2016, the item shows a decrease of €769 million, attributable to the resolution of the Shareholders' Meeting of May 26, 2016, which provided for the use of this reserve in the amount

of €813 million for the distribution of dividends to shareholders and the allocation to "retained earnings" of part of the net income for 2015, equal to €44 million.

Net income - €805 million

Net income for 2016, net of the interim dividend for 2016 of €0.09 per share (for a total of €915 million), amounted to

€805 million. The table below shows the availability of shareholders' equity for distribution.

| Millions of euro | at Dec. 31, 2016 | Possible uses | Amount available |
|---|------------------|---------------|----------------------|
| Share capital | 10,167 | | |
| Capital reserves: | | | |
| - share premium reserve | 7,496 | ABC | 7,496 |
| Income reserves: | | | |
| - legal reserve | 2,034 | B | |
| - reserve pursuant to Law 292/1993 | 2,215 | ABC | 2,215 |
| - reserve from measurement of financial instruments | (376) | | |
| - reserve for capital grants | 19 | ABC | 19 |
| - stock option reserve | 29 | ABC | 29 ⁽¹⁾⁽²⁾ |
| - reserve from remeasurement of employee benefit plan liabilities | (27) | | |
| - other | 20 | ABC | 20 |
| Retained earnings/(Loss carried forward) | 4,534 | ABC | 4,534 |
| Total | 26,111 | | 14,313 |
| <i>of which amount available for distribution</i> | | | <i>14,310</i> |

A: for capital increases.

B: to cover losses.

C: for distribution to shareholders.

(1) Regards lapsed options.

(2) Not distributable in the amount of €3 million regarding options granted by the Parent Company to employees of subsidiaries that have lapsed.

There are no restrictions on the distribution of the reserves pursuant to Article 2426, paragraph 1(5) of the Italian Civil

Code since there are no unamortized start-up and expansion costs or research and development costs, or departu-

res pursuant to Article 2423, paragraph 4, of the Italian Civil Code.

Note that in the three previous years, the available reserve denominated "retained earnings/(loss carried forward)" has been used in the amount of €1,659 million for the distribution of dividends to shareholders.

Enel's goals in capital management are focused on the creation of value for shareholders, safeguarding the interests of stakeholders and ensuring business continuity, as well as on maintaining sufficient capitalization to ensure cost-effective access to outside sources of financing, so as to adequately support growth in the Group's business.

22.1 Dividends

The table below shows the dividends paid by the Company in 2015 and 2016.

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

(1) Approved by the Board of Directors on November 10, 2016 and paid as from January 25, 2017 (interim dividend per share of €0.09 for a total of €915 million).

The dividend for 2016, equal to €0.18 per share, amounting to a total of €1,830 million (of which €0.09 per share, for a total of €915 million, already paid as an interim dividend as from January 25, 2017), was proposed at the Shareholders' Meeting called for May 4, 2017, at a single call. These finan-

cial statements do not reflect the effects of the distribution of this dividend for 2016 to shareholders, with the exception of liabilities due to shareholders for the 2016 interim dividend approved by the Board of Directors on November 10, 2016 and paid as from January 25, 2017.

22.2 Capital management

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

In this context, the Company manages its capital structure

and adjusts that structure when changes in economic conditions so require. There were no substantive changes in objectives, policies or processes in 2016.

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

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|--|-------------------------|------------------|--------------|
| Non-current financial position | (13,664) | (14,503) | 839 |
| Net current financial position | (207) | 1,001 | (1,208) |
| Non-current financial receivables and long-term securities | 32 | 77 | (45) |
| Net financial debt | (13,839) | (13,425) | (414) |
| Shareholders' equity | 26,916 | 24,880 | 2,036 |
| Debt/equity ratio | (0.51) | (0.54) | 0.03 |

23. Borrowings - €13,664 million, €973 million, €6,184 million

| Millions of euro | Non-current | | Current | |
|-----------------------|-------------------------|------------------|-------------------------|------------------|
| | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Long-term borrowings | 13,664 | 14,503 | 973 | 3,062 |
| Short-term borrowings | - | - | 6,184 | 4,914 |

For more details about the nature, recognition and classification of borrowings, please see note 31 "Financial instruments".

24. Employee benefits - €286 million

The Company provides its employees with a variety of benefits, including termination benefits, additional months' pay, indemnities in lieu of notice, loyalty bonuses for achievement of seniority milestones, supplementary pension plans, supplementary healthcare plans, additional indemnity for FOPEN pension contributions, FOPEN pension contributions in excess of deductible amount and personnel incentive plans.

The item includes accruals made to cover post-employment

benefits under defined benefit plans and other long-term benefits to which employees are entitled under statute, contract or other form of employee incentive scheme.

These obligations, in accordance with IAS 19, were determined using the projected unit credit method.

The following table reports the change during the year in the defined benefit obligation, as well as a reconciliation of the defined benefit obligation with the obligation recognized in the balance sheet at December 31, 2016 and December 31, 2015.

Millions of euro

| | 2016 | | | | | 2015 | | | | |
|--|------------------|----------------------|------------------|----------------|------------|------------------|----------------------|------------------|----------------|------------|
| | Pension benefits | Electricity discount | Health insurance | Other benefits | Total | Pension benefits | Electricity discount | Health insurance | Other benefits | Total |
| CHANGES IN ACTUARIAL OBLIGATION | | | | | | | | | | |
| Actuarial obligation at January 1 | 230 | - | 37 | 24 | 291 | 242 | 11 | 35 | 14 | 302 |
| Current service cost | - | - | 1 | 14 | 15 | 6 | - | - | 11 | 17 |
| Interest expense | 5 | - | 1 | - | 6 | 5 | - | 1 | - | 6 |
| Actuarial (gains)/losses arising from changes in demographic assumptions | 1 | - | (1) | - | - | - | - | - | - | - |
| Actuarial (gains)/losses arising from changes in financial assumptions | 10 | - | 3 | - | 13 | - | - | - | - | - |
| Experience adjustments | 1 | - | 1 | - | 2 | 6 | - | - | - | 6 |
| Past service cost | - | - | - | - | - | (1) | - | - | - | (1) |
| (Gains)/Losses arising from settlements | - | - | - | - | - | - | (10) | - | - | (10) |
| Other payments | (26) | - | (3) | (15) | (44) | (33) | (1) | (2) | (4) | (40) |
| Other changes | 1 | - | 1 | 1 | 3 | 5 | - | 3 | 3 | 11 |
| Actuarial obligation at December 31 | 222 | - | 40 | 24 | 286 | 230 | - | 37 | 24 | 291 |

Millions of euro

| | 2016 | 2015 |
|---|-----------|-----------|
| (Gains)/Losses charged to profit or loss | | |
| Service cost | 15 | 16 |
| Interest expense | 6 | 6 |
| (Gains)/Losses arising from settlements | - | (10) |
| Total | 21 | 12 |

Millions of euro

| | 2016 | 2015 |
|---|-----------|----------|
| Remeasurement (gains)/losses in OCI | | |
| Actuarial (gains)/losses on defined benefit plans | 15 | 6 |
| Other changes | - | - |
| Total | 15 | 6 |

The current service cost for employee benefits in 2016 amounted to €15 million, recognized under personnel costs (€17 million in 2015), while the interest cost from the accretion of the liability amounted to €6 million (as in 2015).

The main actuarial assumptions used to calculate the liabilities arising from employee benefits, which are consistent with those used the previous year, are set out below.

| | 2016 | 2015 |
|--------------------------------------|-------------|-------------|
| Discount rate | 0.30%-1.40% | 0.50%-2.15% |
| Rate of wage increases | 1.40%-3.40% | 1.6%-3.60% |
| Rate of increase in healthcare costs | 2.40% | 2.60% |

The following table reports the outcome of a sensitivity analysis that demonstrates the effects on the liability for healthcare plans as a result of changes reasonably possible

at the end of the year in the actuarial assumptions used in estimating the obligation.

Millions of euro

| | An increase of 0.5% in discount rate | A decrease of 0.5% in discount rate | An increase of 0.5% in inflation rate | An increase of 0.5% in remuneration | An increase of 0.5% in pensions currently being paid | An increase of 1% in healthcare costs | An increase of 1 year in life expectancy of active and retired employees |
|------------------------|--------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|--|---------------------------------------|--|
| Healthcare plans: ASEM | (2) | 3 | 3 | 3 | 3 | 6 | 2 |

25. Provisions for risks and charges - €68 million

The “provisions for risks and charges” cover potential liabilities that could arise from legal proceedings and other disputes, without considering the effects of rulings that are expected to be in the Company’s favor and those for which any charge cannot be quantified with reasonable certainty.

In determining the balance of the provision, we have taken account of both the charges that are expected to result from court judgments and other dispute settlements for the year and an update of the estimates for positions arising in previous years not related to the transferred business units.

The following table shows changes in provisions for risks and charges.

| Millions of euro | Taken to income statement | | | | Total | |
|---|---------------------------|-----------|-------------|------------|---------------------------------|-----------|
| | Accruals | Reversals | Utilization | | | |
| | at Dec. 31, 2015 | | | | at Dec. 31, 2016 | |
| | | | | | <i>of which current portion</i> | |
| Provision for litigation, risks and other charges: | | | | | | |
| - litigation | 15 | 2 | (5) | - | 12 | 7 |
| - other | 6 | 25 | - | (3) | 28 | 25 |
| Total | 21 | 27 | (5) | (3) | 40 | 32 |
| Provision for early retirement incentives | 32 | - | (1) | (3) | 28 | 3 |
| TOTAL | 53 | 27 | (6) | (6) | 68 | 35 |

The decrease in the litigation provision amounted to €3 million, essentially reflecting the revision of estimates for a number of outstanding disputes.

The provision covers disputes in Italy and essentially regards labor litigation (€9 million) and litigation concerning tender contracts (€2 million).

The increase of €22 million in other provisions is attributable the provision for other risks and the payments made through the use of the “compensation” provision, esta-

lished on December 31, 2015, following the elimination of the electricity discount benefit for retired personnel with effect from January 1, 2016 after the termination of the agreement on rate discounts for retired personnel and their survivors.

The decrease in the provision for early retirement incentives (€4 million) is essentially attributable to payments in 2016 of voluntary terminations under Article 4 of the Fornero Act.

26. Other non-current liabilities - €36 million

“Other non-current liabilities” amounted to €36 million (€243 million at December 31, 2015). They essentially regard the debt towards Group companies that initially arose following Enel SpA’s application (submitted in its capacity as the consolidating company) for reimbursement for 2004-2011 of the additional income taxes paid as a result of not deducting part of IRAP in computing taxable income for IRES purposes. The liability in respect of the subsidiaries is balanced by the re-

cognition of non-current tax receivables (note 16). The decrease of €207 million is largely attributable to the payment to the consolidated companies of nearly all (€227 million) of the reimbursement of the receivable for 2004-2010 received from the Revenue Agency in 2016 (€229 million including Enel SpA’s share of €2 million). The amount of the liability at December 31, 2016 reflects the updating of the interest accrued on the residual receivable.

27. Trade payables - €150 million

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|--------------------------|------------------|------------------|-------------|
| Trade payables: | | | |
| - due to third parties | 83 | 105 | (22) |
| - due to Group companies | 67 | 59 | 8 |
| Total | 150 | 164 | (14) |

“Trade payables” mainly include payables for the supply of services and other activities performed in 2016, and comprise payables due to third parties of €83 million (€105 million at December 31, 2015) and payables due to Group compa-

nies of €67 million (€59 million at December 31, 2015).

Trade payables due to subsidiaries at December 31, 2016 break down as follows.

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|-------------------------------|------------------|------------------|----------|
| Subsidiaries | | | |
| Enel Produzione SpA | 1 | 1 | - |
| Enel Ingegneria e Ricerca SpA | 1 | 1 | - |
| Enel Servizio Elettrico SpA | 1 | 1 | - |
| Enel Trade SpA | 1 | 1 | - |
| Enel Italia Srl | 41 | 36 | 5 |
| Enel Iberoamérica SL | 10 | 8 | 2 |
| Enel.Factor SpA | 1 | 2 | (1) |
| Endesa SA | 2 | 1 | 1 |
| Enel Russia PJSC | 3 | 4 | (1) |
| Sviluppo Nucleare Italia Srl | - | - | - |
| Other | 6 | 4 | 2 |
| Total | 67 | 59 | 8 |

Trade payables break down by geographical area as follows.

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|------------------|-------------------------|------------------|-------------|
| Suppliers | | | |
| Italy | 119 | 132 | (13) |
| EU | 20 | 18 | 2 |
| Non-EU Europe | 7 | 10 | (3) |
| Other | 4 | 4 | - |
| Total | 150 | 164 | (14) |

28. Other current financial liabilities - €550 million

“Other current financial liabilities” mainly regard interest expense accrued on debt outstanding at end-year.

Millions of euro

| | Notes | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|--------------------------------|--------|-------------------------|------------------|-------------|
| Deferred financial liabilities | 31.2.1 | 501 | 584 | (83) |
| Other items | 31.2.1 | 49 | 59 | (10) |
| Total | | 550 | 643 | (93) |

More specifically, “deferred financial liabilities” consist of interest expense accrued on financial debt, while “other items” essentially include amounts due are to Group companies that accrued as of December 31, 2016 but are to

be settled in the following year, comprising both financial expense on hedge derivatives on commodity exchange rates and interest expense on intercompany current accounts.

29. Net financial position and long-term financial receivables and securities - €13,839 million

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

Millions of euro

| | Notes | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|---|-------|-------------------------|------------------|------------|
| Long-term borrowings | 23 | 13,664 | 14,503 | (839) |
| Short-term borrowings | 23 | 6,184 | 4,914 | 1,270 |
| Current portion of long-term borrowings | 23 | 973 | 3,062 | (2,089) |
| Non-current financial assets included in debt | 15.1 | 32 | 77 | (45) |
| Current financial assets included in debt | 19.1 | 3,912 | 3,052 | 860 |
| Cash and cash equivalents | 21 | 3,038 | 5,925 | (2,887) |
| Total | | 13,839 | 13,425 | 414 |

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at Decem-

ber 31, 2016, reconciled with net financial debt as reported in the report on operations.

Millions of euro

| | at Dec. 31, 2016 | | at Dec. 31, 2015 | | Change |
|--|------------------|--------------------------------------|------------------|--------------------------------------|----------------|
| | | <i>of which with related parties</i> | | <i>of which with related parties</i> | |
| Bank and post office deposits | 3,038 | | 5,925 | | (2,887) |
| Liquidity | 3,038 | | 5,925 | | (2,887) |
| Current financial receivables | 3,912 | <i>2,894</i> | 3,052 | <i>2,958</i> | 860 |
| Short-term bank debt | (809) | | (2) | | (807) |
| Short-term portion of long-term bank debt | (973) | | (3,062) | | 2,089 |
| Other short-term financial payables | (5,375) | <i>(4,268)</i> | (4,912) | <i>(3,243)</i> | (463) |
| Short-term financial debt | (7,157) | | (7,976) | | 819 |
| Net short-term financial position | (207) | | 1,001 | | (1,208) |
| Bonds | (12,414) | | (14,503) | | 2,089 |
| Long-term borrowings | (13,664) | | (14,503) | | 839 |
| Long-term financial position | (13,664) | | (14,503) | | 839 |
| NET FINANCIAL POSITION as per CONSOB instructions | (13,871) | | (13,502) | | (369) |
| Long-term financial receivables | 32 | <i>27</i> | 77 | <i>72</i> | (45) |
| NET FINANCIAL DEBT | (13,839) | | (13,425) | | (414) |

30. Other current liabilities - €1,694 million

“Other current liabilities” mainly concern payables due to the tax authorities and to the Group companies participating in the consolidated IRES taxation mechanism, and in the

Group VAT system, as well as the liability due to shareholders for the interim dividend for 2016 approved on November 10, 2016 and paid as from January 25, 2017.

Millions of euro

| | at Dec. 31, 2016 | | at Dec. 31, 2015 | | Change |
|--|------------------|--|------------------|--|------------|
| Tax payables | 184 | | 650 | | (466) |
| Payables due to Group companies | 544 | | 354 | | 190 |
| Payables due to employees, recreational/assistance associations | 30 | | 24 | | 6 |
| Payables due to social security institutions | 12 | | 11 | | 1 |
| Payables due to customers for security deposits and reimbursements | 1 | | 1 | | - |
| Other | 923 | | 6 | | 917 |
| Total | 1,694 | | 1,046 | | 648 |

“Tax payables” amounted to €184 million and essentially regard amounts due to tax authorities for consolidated IRES (€177 million). The decrease as compared with the previous year amounted to €466 million, essentially due to the decrease in the debtor position with tax authorities for consolidated IRES.

“Payables due to Group companies” amounted to €544 million. They consist of €457 million in payables in respect of

the IRES liability under the consolidated taxation mechanism (€233 million at December 31, 2015) and €86 million in respect of Group VAT (€121 million at December 31, 2015). The increase of €190 million essentially reflects developments in the debtor positions noted above.

The item “other”, equal to €923 million, includes €915 million for the liability due to shareholders for the interim dividend to be paid as from January 25, 2017 (€0.09 per share).

31. Financial instruments

31.1 Financial assets by category

The following table shows the carrying amount for each category of financial assets provided by IAS 39, broken down into current and non-current financial assets, showing sepa-

rately hedging derivatives and derivatives measured at fair value through profit or loss.

| Millions of euro | Notes | Non-current | | Current | |
|--|--------|------------------|------------------|------------------|------------------|
| | | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Loans and receivables | 31.1.1 | 53 | 107 | 7,514 | 9,611 |
| Financial assets available for sale | 31.1.2 | 1 | 1 | - | - |
| Financial assets at fair value through profit or loss | | | | | |
| Derivative financial assets at FVTPL | 33 | 1,691 | 1,668 | 480 | 299 |
| Total | | 1,691 | 1,668 | 480 | 299 |
| Derivative financial assets designated as hedging instruments | | | | | |
| Cash flow hedge derivatives | 33 | 751 | 888 | - | - |
| Fair value hedge derivatives | 33 | 27 | 35 | - | - |
| Total | | 778 | 923 | - | - |
| TOTAL | | 2,523 | 2,699 | 7,994 | 9,910 |

For more details on the recognition and classification of current and non-current derivative financial assets, please see note 33 "Derivatives and hedge accounting".

31.1.1 Loans and receivables

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

| Millions of euro | Notes | Non-current | | Current | |
|--|-------|------------------|------------------|------------------|------------------|
| | | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Cash and cash equivalents | | - | - | 3,038 | 5,925 |
| Trade receivables | | - | - | 255 | 283 |
| Financial receivables due from Group companies | | | | | |
| Receivables for assumption of share of financial debt | 15.1 | 27 | 72 | - | - |
| Receivables on intercompany current accounts | | - | - | 2,849 | 2,912 |
| Current portion of receivables for assumption of loans | 19.1 | - | - | 45 | 46 |
| Other financial receivables | | - | - | 154 | 173 |
| Total | | 27 | 72 | 3,048 | 3,131 |
| Financial receivables due from others | | | | | |
| Current portion of long-term financial receivables | | - | - | 1 | - |
| Cash collateral for margin agreements on OTC derivatives | | - | - | 1,012 | 86 |
| Other financial receivables | | 26 | 35 | 160 | 186 |
| Total | | 26 | 35 | 1,173 | 272 |
| TOTAL | | 53 | 107 | 7,514 | 9,611 |

The primary changes compared with 2015 related to:

> a decrease in "cash and cash equivalents" of €2,887 million, essentially attributable to the redemption and repurchase of a number of bonds and to the normal central

treasury functions performed by Enel SpA;

> a decrease in "financial receivables due from Group companies" totaling €128 million, largely reflecting the decrease in receivables on the intercompany current ac-

count held with Group companies (€63 million) and in the amount of the receivable for assuming financial debt as a result of the repayment of principal (€45 million);
 > an increase of "financial receivables due from others"

totaling €892 million, mainly as a result of an increase in cash collateral paid to counterparties for OTC derivatives transactions on interest rates and exchange rates (€926 million).

31.1.2 Financial assets available for sale

Financial assets available for sale amounted to €1 million and are represented by the equity investment held by Enel SpA in Emittenti Titoli SpA. The investment is classified as

an "equity investment in other entities" and is carried at cost. The value is unchanged with respect to 2015.

31.2 Financial liabilities by category

The following table shows the carrying amount for each category of financial liabilities provided by IAS 39, broken down into current and non-current financial liabilities, showing se-

parately hedging derivatives and derivatives measured at fair value through profit or loss.

| Millions of euro | Notes | Non-current | | Current | |
|---|--------|------------------|------------------|------------------|------------------|
| | | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Financial liabilities measured at amortized cost | 31.2.1 | 13,664 | 14,503 | 7,857 | 8,783 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities at FVTPL | 33 | 1,703 | 1,687 | 556 | 367 |
| Total | | 1,703 | 1,687 | 556 | 367 |
| Derivative financial liabilities designated as hedging instruments | | | | | |
| Cash flow hedge derivatives | 33 | 1,379 | 1,030 | - | - |
| Total | | 1,379 | 1,030 | - | - |
| TOTAL | | 16,746 | 17,220 | 8,413 | 9,150 |

For more details on the recognition and classification of current and non-current derivative financial liabilities, please see note 33 "Derivatives and hedge accounting".

For more details about fair value measurement, please see note 34 "Fair value measurement".

31.2.1 Financial liabilities measured at amortized cost

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

| Millions of euro | Notes | Non-current | | Current | |
|-------------------------------------|-------|------------------|------------------|------------------|------------------|
| | | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Long-term borrowings | 23 | 13,664 | 14,503 | 973 | 3,062 |
| Short-term borrowings | | - | - | 6,184 | 4,914 |
| Trade payables | | - | - | 150 | 164 |
| Other current financial liabilities | | - | - | 550 | 643 |
| Total | | 13,664 | 14,503 | 7,857 | 8,783 |

Borrowings

Long-term borrowings (including the portion falling due within 12 months) - €14,637 million

Long-term borrowings, which refer to bonds, bank borrowings and loans from Group companies, denominated in euros and other currencies, including the portion falling due within 12 months (equal to €973 million), amounted to €14,637 million at December 31, 2016.

The following table shows the nominal values, carrying amounts and fair values of long-term borrowings at December 31, 2016, including the portion falling due within 12

months, grouped by type of borrowing and type of interest rate. For listed debt instruments, the fair value is given by official prices. For unlisted debt instruments, the fair value is determined using valuation techniques appropriate for each category of financial instrument and the associated market data at the reporting date, including the credit spreads of the Group.

| Millions of euro | Nominal value | Carrying amount | at Dec. 31, 2016 | | Fair value | at Dec. 31, 2015 | | | | | Change |
|---------------------------------------|---------------|-----------------|------------------|------------------------------------|---------------|------------------|-----------------|-----------------|------------------------------------|---------------|----------------|
| | | | Current portion | Portion due in more than 12 months | | Nominal value | Carrying amount | Current portion | Portion due in more than 12 months | Fair value | |
| Bonds: | | | | | | | | | | | |
| - fixed rate | 11,584 | 11,502 | 908 | 10,594 | 13,117 | 14,693 | 14,586 | 1,999 | 12,587 | 17,001 | (3,084) |
| - floating rate | 1,888 | 1,885 | 65 | 1,820 | 1,858 | 2,986 | 2,979 | 1,063 | 1,916 | 2,931 | (1,094) |
| Total | 13,472 | 13,387 | 973 | 12,414 | 14,975 | 17,679 | 17,565 | 3,062 | 14,503 | 19,932 | (4,178) |
| Bank borrowings: | | | | | | | | | | | |
| - fixed rate | - | - | - | - | - | - | - | - | - | - | - |
| - floating rate | 50 | 50 | - | 50 | 50 | - | - | - | - | - | 50 |
| Total | 50 | 50 | - | 50 | 50 | - | - | - | - | - | 50 |
| Loans from Group companies: | | | | | | | | | | | |
| - fixed rate | 1,200 | 1,200 | - | 1,200 | 1,575 | - | - | - | - | - | 1,200 |
| - floating rate | - | - | - | - | - | - | - | - | - | - | - |
| Total | 1,200 | 1,200 | - | 1,200 | 1,575 | - | - | - | - | - | 1,200 |
| Total fixed-rate borrowings | 12,784 | 12,702 | 908 | 11,794 | 14,692 | 14,693 | 14,586 | 1,999 | 12,587 | 17,001 | (1,884) |
| Total floating-rate borrowings | 1,938 | 1,935 | 65 | 1,870 | 1,908 | 2,986 | 2,979 | 1,063 | 1,916 | 2,931 | (1,044) |
| TOTAL | 14,722 | 14,637 | 973 | 13,664 | 16,600 | 17,679 | 17,565 | 3,062 | 14,503 | 19,932 | (2,928) |

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

For more details about the maturity analysis of borrowings,

please see note 32 "Risk management", while for more details about fair value measurement inputs, please see note 34 "Fair value measurement".

The table below shows long-term borrowings by currency and interest rate.

Long-term borrowings by currency and interest rate

| Millions of euro | Carrying amount | | Nominal value | Current average nominal interest rate | Current effective interest rate |
|----------------------------------|------------------|------------------|---------------|---------------------------------------|---------------------------------|
| | at Dec. 31, 2015 | at Dec. 31, 2016 | | | |
| Euro | 13,691 | 11,113 | 11,153 | 4.9% | 5.2% |
| US dollar | 1,130 | 1,168 | 1,186 | 8.8% | 9.2% |
| Pound sterling | 2,744 | 2,356 | 2,383 | 6.5% | 6.7% |
| Total non-euro currencies | 3,874 | 3,524 | 3,569 | | |
| TOTAL | 17,565 | 14,637 | 14,722 | | |

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

| Millions of euro | Nominal value | Repayments | New borrowing | Other | Own bonds repurchased | Exchange differences | Nominal value |
|----------------------------|---------------|----------------|---------------|--------------|-----------------------|----------------------|---------------|
| | | | | | | | |
| Bonds | 17,679 | (3,064) | - | - | (784) | (359) | 13,472 |
| Bank borrowings | - | - | 50 | - | - | - | 50 |
| Loans from Group companies | - | - | - | 1,200 | - | - | 1,200 |
| Total | 17,679 | (3,064) | 50 | 1,200 | (784) | (359) | 14,722 |

Compared with December 31, 2015, the nominal value of long-term debt decreased by €2,957 million, reflecting:

- > the redemption of bonds in the year totaling €3,064 million. More specifically, redemptions regarded €3,000 million in respect of two bonds, of which a fixed-rate €2,000 million note and a floating rate €1,000 million note, issued in 2010 as part of a pan-European offer of bonds for retail investors that matured on February 26, 2016, as well as €64 million in respect of four tranches of INA and ANIA bonds;
- > the repurchase of own bonds in the amount of €784 million. More specifically, the repurchase involved:
 - €750 million in respect of a non-binding voluntary offer initiated on January 14, 2016 and closed on January 20, 2016 concerning the cash repurchase of bonds issued by Enel with a view to optimizing the Company's liability structure through the active management of maturi-

ties and the cost of funds;

- €34 million in respect of unlisted floating-rate bonds of the "Special series of bonds reserved for employees 1994-2019";
- > the recognition of exchange gains of €359 million;
- > new bank borrowings of €50 million;
- > the assignment of €1,200 million, as part of the partial, non-proportional demerger of Enel Green Power SpA to Enel SpA, of a liability represented by a long-term fixed-rate loan falling due on July 31, 2023, initially in respect of the subsidiary Enel Green Power International BV and then, after the demerger from Enel Green Power International BV, of assets and liabilities to Enel Finance International NV, in respect of the latter.

The table below reports the characteristics of the bank borrowing obtained in 2016.

New borrowings

| Type of loan | Counterparty | Issue date | Amount financed (millions of euro) | Currency | Interest rate (%) | Type of interest rate | Due date |
|-----------------|---------------|------------|------------------------------------|----------|-------------------|-----------------------|------------|
| Bank borrowings | UniCredit SpA | 20/07/2016 | 50 | Euro | 0.1% | Floating rate | 15/07/2020 |
| Total | | | 50 | | | | |

In 2016, a loan was obtained from UniCredit SpA in the maximum amount of €500 million, to be drawn in three tranches up to March 15, 2017, with a final due date of July 15, 2020 and drawn at December 31, 2016 in the amount of €50 million.

The main long-term borrowings of Enel SpA are governed by covenants that are commonly adopted in international business practice. These borrowings are represented by the bond issues carried out within the framework of the Global Medium-Term Notes program, issues of subordinated unconvertible hybrid bonds, the €9.4 billion Forward Start Facility Agreement agreed on February 8, 2013 by Enel SpA and Enel Finance International NV with a pool of banks and the loans granted by UniCredit SpA.

The main covenants in respect of the bond issues in the Global Medium-Term Notes program of Enel SpA and Enel Finance International NV can be summarized as follows:

- > negative pledge clauses under which the issuer and the guarantor may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets or revenue, to secure certain financial borrowings, unless the same restrictions are extended equally or pro rata to the bonds in question;
- > pari passu clauses, under which bonds and the associated guarantees constitute a direct, unconditional and unsecured obligation of the issuer and the guarantor, do not grant preferential rights among them and have at least the same seniority as other present and future unsecured and unsecured bonds of the issuer and the guarantor;
- > cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer, the guarantor or significant subsidiaries constitutes a default in respect of the liabilities in question, which may become immediately repayable.

The main covenants covering the hybrid bonds can be summarized as follows:

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

The main covenants for the Forward Start Facility Agree-

ment and the loan agreements between Enel SpA and UniCredit SpA are substantially similar and can be summarized as follows:

- > negative pledge clauses, under which the borrower and, in some cases, significant subsidiaries may not establish mortgages, liens or other encumbrances on all or part of their respective assets to secure certain financial liabilities, with the exception of expressly permitted encumbrances;
- > disposals clauses, under which the borrower and, in some cases, the subsidiaries of Enel may not dispose of their assets or a significant portion of their assets or operations, with the exception of expressly permitted disposals;
- > pari passu clauses, under which the payment undertakings of the borrower have the same seniority as its other unsecured and unsecured payment obligations;
- > change of control clauses, which are triggered in the event: (i) control of Enel is acquired by one or more parties other than the Italian State or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to parties outside the Group such that the financial reliability of the Group is significantly compromised. The occurrence of one of the two circumstances may give rise to (a) the renegotiation of the terms and conditions of the financing or (b) compulsory early repayment of the financing by the borrower;
- > cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the borrower or significant subsidiaries constitutes a default in respect of the liabilities in question, which may become immediately repayable.

In addition, following the partial, non-proportional demerger of Enel Green Power SpA ("EGP") to Enel SpA, as from the final moment of March 31, 2016, certain balance-sheet items and legal relationships of EGP were assigned to Enel SpA. The legal relationships included guarantees issued by EGP on behalf of Enel Green Power International BV and its subsidiaries in respect of commitments assumed in loan transactions. Those guarantees and the associated loan contracts include certain covenants and "events of default", some borne by Enel SpA as the guarantor, typical of international business practice.

All the financial borrowings considered specify "events of default" typical of international business practice, such as,

for example, insolvency, bankruptcy proceedings or if the entity ceases trading.

None of the covenants indicated above has been triggered to date.

Debt structure after hedging

The following table shows the effect of the hedges of foreign currency risk on the gross long-term debt structure (including portions maturing in the next 12 months).

| Millions of euro | at Dec. 31, 2016 | | | | | at Dec. 31, 2015 | | | | |
|------------------|------------------------|-----------------|---------------|-------------------------------|------------------------------|------------------------|-----------------|---------------|-------------------------------|------------------------------|
| | Initial debt structure | | | Impact of hedging instruments | Debt structure after hedging | Initial debt structure | | | Impact of hedging instruments | Debt structure after hedging |
| | Carrying amount | Notional amount | % | | | Carrying amount | Notional amount | % | | |
| Euro | 11,113 | 11,153 | 75.8% | 3,569 | 14,722 | 13,691 | 13,751 | 77.8% | 3,928 | 17,679 |
| US dollar | 1,168 | 1,186 | 8.0% | (1,186) | - | 1,130 | 1,148 | 6.5% | (1,148) | - |
| Pound sterling | 2,356 | 2,383 | 16.2% | (2,383) | - | 2,744 | 2,780 | 15.7% | (2,780) | - |
| Total | 14,637 | 14,722 | 100.0% | - | 14,722 | 17,565 | 17,679 | 100.0% | - | 17,679 |

The following table shows the effect of the hedges of interest rate risk on the gross long-term debt outstanding at the reporting date.

| Outstanding gross debt | at Dec. 31, 2016 | | at Dec. 31, 2015 | |
|------------------------|------------------|---------------|------------------|---------------|
| | Before hedging | After hedging | Before hedging | After hedging |
| Floating rate | 13.2% | 17.7% | 16.9% | 20.6% |
| Fixed rate | 86.8% | 82.3% | 83.1% | 79.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

Short-term borrowings - €6,184 million

The following table shows short-term borrowings at December 31, 2016, by nature.

| Millions of euro | at Dec. 31, 2016 | | at Dec. 31, 2015 | Change |
|---|------------------|--------------|------------------|--------------|
| | | | | |
| Borrowings from non-Group counterparties | | | | |
| Bank borrowings | | 808 | - | 808 |
| Short-term bank borrowings (ordinary current account) | | 1 | 2 | (1) |
| Cash collateral for CSAs on OTC derivatives received | | 1,107 | 1,669 | (562) |
| Total | | 1,916 | 1,671 | 245 |
| Borrowings from Group counterparties | | | | |
| Short-term borrowings from Group companies (on intercompany current accounts) | | 4,268 | 3,243 | 1,025 |
| Other short-term borrowings from Group companies | | - | - | - |
| Total | | 4,268 | 3,243 | 1,025 |
| TOTAL | | 6,184 | 4,914 | 1,270 |

Short-term borrowings amounted to €6,184 million, up €1,270 million over the previous year (€4,914 million in 2015), mainly due to:

> the €808 million increase in liabilities to banks for short-

term loans received;

> the €562 million decrease in cash collateral received from counterparties for transactions in OTC derivatives on interest rates and exchange rates;

> the €1,025 million increase in “short-term borrowings from Group companies” attributable to the deterioration in the debtor position on the intercompany current account held with subsidiaries.

It should be specified that the fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

31.2.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, broken down into non-current (€1,703 million) and current (€556

million) financial liabilities, refer solely to derivative financial liabilities.

31.2.3 Net gains and losses

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

| Millions of euro | Net gains/(losses) | | of which: impairment/reversal of |
|--|--------------------|------------------|----------------------------------|
| | at Dec. 31, 2016 | at Dec. 31, 2015 | impairment |
| Available-for-sale financial assets | 6 | 1 | - |
| Loans and receivables | - | 5 | 1 |
| Financial liabilities measured at amortized cost | (510) | (1,229) | - |

For more details on net gains and losses on derivatives, please see note 7 “Net financial income/(expense) from derivatives”.

32. Risk management

32.1 Financial risk management objectives and policies

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

Enel’s governance arrangements for financial risk envisage:

- > specific internal committees, formed of members of the Group’s top management and chaired by the CEO, which are responsible for strategic policy-making and oversight of risk management;
- > the establishment of specific policies set at both the Group level and at the level of individual Regions/Countries/global business lines, which define the roles and responsibilities for those involved in managing, monitoring and controlling risks, ensuring the organizational separation of units involved in managing the Group’s business and those responsible for managing risk;
- > 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.

es/global business lines, which define the roles and responsibilities for those involved in managing, monitoring and controlling risks, ensuring the organizational separation of units involved in managing the Group’s business and those responsible for managing risk;

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

32.2 Market risks

Market risk is the risk that the value of financial and non-financial assets or liabilities and the associated expected cash flows could change owing to changes in market prices. As part of its operations as an industrial holding company, Enel SpA is exposed to different market risks, notably the risk of changes in interest rates and exchange rates.

Interest rate risk and exchange risk are primarily generated by the presence of financial instruments.

The main financial liabilities held by the Company include bonds, bank borrowings (including revolving credit facilities and loans from EU bodies), other borrowings, derivatives, cash collateral for derivatives transactions and trade payables. The main purpose of those financial instruments is to finance the operations of the Company.

The main financial assets held by the Company include financial receivables, derivatives, cash collateral for derivatives transactions, cash and short-term deposits and trade receivables.

For more details, please see note 31 “Financial instruments”. The source of exposure to interest rate risk and exchange risk did not change with respect to the previous year.

As the Parent Company, Enel SpA centralizes some treasury management functions and access to financial markets with regard to financial derivatives contracts on interest rates and exchange rates. As part of this activity, Enel SpA acts as an intermediary for Group companies with the market, taking positions that, while they can be substantial, do not however represent an exposure to markets risks for Enel SpA.

During 2016, no overshoots of the threshold values set by regulators for the activation of clearing obligations (EMIR - European Market Infrastructure Regulation 648/2012 of the European Parliament) were detected.

The volume of transactions in financial derivatives outstanding at December 31, 2016 is reported below, with specification of the notional amount of each class of instrument as calculated at the year-end exchange rates provided by the European Central Bank, where denominated in currencies other than the euro.

The notional amount of a derivative contract is the amount on which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into

euro by multiplying the notional amount by the agreed price). The notional amounts of derivatives reported here do not represent amounts exchanged between the parties and therefore are not a measure of the Company’s credit risk exposure.

Interest rate risk

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

Interest rate risk for the Company manifests itself as a change in the flows associated with interest payments on floating-rate financial liabilities, a change in financial terms and conditions in negotiating new debt instruments or as an adverse change in the value of financial assets/liabilities measured at fair value, which are typically fixed-rate debt instruments.

Interest rate risk is managed with the dual goals of reducing the amount of debt exposed to interest rate fluctuations and containing the cost of funds, limiting the volatility of results. This goal is pursued through the strategic diversification of the portfolio of financial liabilities by contract type, maturity and interest rate, and modifying the risk profile of specific exposures using OTC derivatives, mainly interest rate swaps.

The notional amount of outstanding contracts is reported below.

| Millions of euro | Notional amount | |
|----------------------------------|------------------|------------------|
| | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Interest rate derivatives | | |
| Interest rate swaps | 22,377 | 21,163 |
| Total | 22,377 | 21,163 |

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

Interest rate swaps normally provide for the periodic exchange of floating-rate interest flows for fixed-rate interest flows, both of which are calculated on the basis of the notional principal amount.

The notional amount of open interest rate swaps at the end of the year was €22,377 million (€21,163 million at December 31, 2015), of which €1,329 million (unchanged on December 31, 2015) in respect of hedges of the Company’s

share of debt, and €10,524 million (€9,917 million at December 31, 2015) in respect of hedges of the debt of Group companies with the market intermediated in the same notional amount with those companies.

For more details on interest rate derivatives, please see note 33 “Derivatives and hedge accounting”.

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

At December 31, 2016, 13.2% of gross long-term financial debt was floating rate (16.9% at December 31, 2015). Ta-

king account of hedges of interest rates considered effective pursuant to IAS 39, 82.3% of gross long-term financial debt was hedged at December 31, 2016 (79.4% at Decem-

ber 31, 2015). Including derivatives treated as hedges for management purposes but ineligible for hedge accounting, the ratio is essentially unchanged.

Interest rate risk sensitivity analysis

The Company analyses the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact of market scenarios on equity, for the cash flow hedge component, and on profit or loss, for the fair value hedge component, for derivatives that are not eligible for hedge accounting and for the portion of gross long-term

debt not hedged using derivative financial instruments.

These scenarios are represented by parallel increases and decreases in the yield curve as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the Company's profit before tax would be affected as follows.

Millions of euro

| | at Dec. 31, 2016 | | | | | at Dec. 31, 2015 | | | |
|---|------------------|----------------------------------|----------|--------------------------|----------|----------------------------------|----------|--------------------------|----------|
| | Basis points | Pre-tax impact on profit or loss | | Pre-tax impact on equity | | Pre-tax impact on profit or loss | | Pre-tax impact on equity | |
| | | Increase | Decrease | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| Change in financial expense on gross long-term floating-rate debt after hedging | 25 | 7 | (7) | - | - | 9 | (9) | - | - |
| Change in fair value of derivatives classified as non-hedging instruments | 25 | 7 | (7) | - | - | 7 | (7) | - | - |
| Change in fair value of derivatives designated as hedging instruments | | | | | | | | | |
| Cash flow hedges | 25 | - | - | 13 | (13) | - | - | 13 | (13) |
| Fair value hedges | 25 | (5) | 5 | - | - | (7) | 7 | - | - |

Exchange risk

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

For Enel SpA, the main source of exchange risk is the presence of monetary financial instruments denominated in a currency other than the euro, mainly bonds denominated in foreign currency.

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

For more details, please see note 31 "Financial instruments".

In order to minimize exposure to changes in exchange rates, the Company normally uses a variety of OTC derivatives such as currency forwards and cross currency interest rate swaps. The term of such contracts does not exceed the maturity of the underlying exposure.

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

Cross currency interest rate swaps are used to transform a long-term fixed- or floating-rate liability in foreign currency into an equivalent floating- or fixed-rate liability in euros. In addition to having notionals denominated in different currencies, these instruments differ from interest rate swaps in that they provide both for the periodic exchange of cash flows and the final exchange of principal.

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

| Millions of euro | Notional amount | |
|--|------------------|------------------|
| | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Foreign exchange derivatives | | |
| Currency forwards: | 5,399 | 11,388 |
| - hedging exchange risk on commodities | 4,507 | 7,239 |
| - hedging future cash flows | 196 | 4,138 |
| - other currency forwards | 696 | 11 |
| Cross currency interest rate swaps | 22,668 | 23,730 |
| Total | 28,067 | 35,118 |

More specifically, these include:

- > currency forward contracts with a total notional amount of €4,507 million (€7,239 million at December 31, 2015), of which €2,253 million to hedge the exchange risk associated with purchases of energy commodities by Group companies, with matching transactions with the market;
- > currency forward contracts with a notional amount of €196 million (€4,138 million at December 31, 2015), to hedge the exchange risk associated with other expected cash flows in currencies other than the euro, of which €98 million in market transactions;
- > currency forward contracts with a notional amount of €696 million (€11 million at December 31, 2015), to hedge the exchange rate risk on investment spending, of which €348 million in market transactions;
- > cross currency interest rate swaps with a notional amount of €22,668 million (€23,730 million at December 31, 2015), to hedge the exchange risk on the debt of Enel SpA or other Group companies denominated in currencies other than the euro.

For more details, please see note 33 "Derivatives and hedge accounting".

An analysis of the Group's debt shows that 24.2% of gross

medium and long-term debt (22.2% at December 31, 2015) is denominated in currencies other than the euro.

Considering exchange rate hedges and the portion of debt in foreign currency that is denominated in the currency of account or the functional currency of the company, the debt is fully hedged using cross currency interest rate swaps.

Exchange risk sensitivity analysis

The Company analyses the sensitivity of its exposure by estimating the effects of a change in exchange rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact of market scenarios on equity, for the cash flow hedge component, and on profit or loss, for the fair value hedge component, for derivatives that are not eligible for hedge accounting and for the portion of gross long-term debt not hedged using derivative financial instruments.

These scenarios are represented by the appreciation/depreciation of the euro against all of the foreign currencies compared with the value observed as at the reporting date. There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the profit before tax would be affected as follows.

Millions of euro

| | at Dec. 31, 2016 | | | | | at Dec. 31, 2015 | | | |
|--|----------------------------------|----------------------|----------------------|--------------------------|----------------------|----------------------------------|----------------------|--------------------------|----------------------|
| | Pre-tax impact on profit or loss | | | Pre-tax impact on equity | | Pre-tax impact on profit or loss | | Pre-tax impact on equity | |
| | Exchange rate | Appreciation of euro | Depreciation of euro | Appreciation of euro | Depreciation of euro | Appreciation of euro | Depreciation of euro | Appreciation of euro | Depreciation of euro |
| Change in fair value of derivatives designated as hedging instruments | | | | | | | | | |
| Cash flow hedges | 10% | - | - | (462) | 564 | - | - | (507) | 620 |
| Fair value hedges | 10% | - | - | - | - | - | - | - | - |

32.3 Credit risk

Credit risk is represented by the possibility that a change in the creditworthiness of a counterparty in a financial transaction could impact the creditor position, in terms of insolvency (default risk) or changes in its market value (spread risk) such as to give rise to a loss. The Company is exposed to credit risk from its financial activities, including transactions in derivatives, deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

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

The Company's management of credit risk is based on the selection of counterparties from among leading Italian and international financial institutions with high credit standing considered solvent both by the market and on the basis of internal assessments, diversifying the exposure among them. Credit exposures and associated credit risk are regularly monitored by the departments responsible for monito-

ring risks under the policies and procedures outlined in the governance rules for managing the Group's risks, which are also designed to ensure prompt identification of possible mitigation actions to be taken.

Within this general framework, Enel entered into margin agreements with the leading financial institutions with which it operates that call for the exchange of cash collateral, which significantly mitigates the exposure to counterparty risk.

At December 31, 2016, the exposure to credit risk, represented by the carrying amount of financial assets net of related provisions for impairment as well as derivatives with a positive fair value, net of any cash collateral held, amounted to €9,388 million (€10,909 million at December 31, 2015). Of the total, €4,277 million regard receivables in respect of Group companies and €3,038 million regard cash and cash equivalents.

Millions of euro

| | at Dec. 31, 2016 | | at Dec. 31, 2015 | | Change |
|------------------------------------|-----------------------|--------------|-----------------------|--------------|----------------|
| | <i>of which Group</i> | | <i>of which Group</i> | | |
| Non-current financial receivables | 27 | 27 | 72 | 72 | (45) |
| Other non-current financial assets | 5 | - | 5 | - | - |
| Trade receivables | 255 | 229 | 283 | 276 | (28) |
| Current financial receivables | 2,894 | 2,894 | 2,958 | 2,958 | (64) |
| Other current financial assets | 1,327 | 154 | 445 | 173 | 882 |
| Financial derivatives | 1,842 | 973 | 1,221 | 343 | 621 |
| Cash and cash equivalents | 3,038 | - | 5,925 | - | (2,887) |
| Total | 9,388 | 4,277 | 10,909 | 3,822 | (1,521) |

32.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial lia-

bilities that are settled by delivering cash or another financial asset.

The objectives of liquidity risk management policies are:

- > ensuring an appropriate level of liquidity for the Group, minimizing the associated opportunity cost;
- > maintaining a balanced debt structure in terms of the maturity profile and funding sources.

In the short term, liquidity risk is mitigated by maintaining an appropriate level of unconditionally available resources, including cash and short-term deposits, available committed credit lines and a portfolio of highly liquid assets.

In the long term, liquidity risk is mitigated by maintaining a balanced debt maturity profile and diversifying funding sources in terms of instruments, markets/currencies and counterparties.

At December 31, 2016 Enel SpA had a total of about €3,038 million in cash and cash equivalents (€5,925 million at December 31, 2015), and committed lines of credit amounting to €6,170 million (of which none had been drawn) maturing in more than one year (€5,720 million at December 31, 2015).

Maturity analysis

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| Millions of euro | Maturing in | | | | |
|------------------------------------|--------------------|-----------------------------|-----------------------|-----------------------|--------------|
| | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Bonds: | | | | | |
| - fixed rate | - | 908 | 3,073 | 3,922 | 3,599 |
| - floating rate | - | 65 | 563 | 385 | 872 |
| Total | - | 973 | 3,636 | 4,307 | 4,471 |
| Bank borrowings: | | | | | |
| - fixed rate | - | - | - | - | - |
| - floating rate | - | - | - | 50 | - |
| Total | - | - | - | 50 | - |
| Loans from Group companies: | | | | | |
| - fixed rate | - | - | - | - | 1,200 |
| - floating rate | - | - | - | - | - |
| Total | - | - | - | - | 1,200 |
| TOTAL | - | 973 | 3,636 | 4,357 | 5,671 |

32.5 Offsetting financial assets and financial liabilities

The following table reports the net financial assets and liabilities. More specifically, it shows that there are no netting arrangements for derivatives in the financial statements since the Company does not plan to set-off assets and liabilities. As envisaged by current market regulations and to

guarantee transactions involving derivatives, Enel SpA has entered into margin agreements with leading financial institutions that call for the exchange of cash collateral, broken down as shown in the table.

| Millions of euro | | at Dec. 31, 2016 | | | | |
|---|---|--|---|--|--|---|
| | (a) | (b) | (c)=(a)-(b) | (d) | | (e)=(c)-(d) |
| | | | | Related amounts not set off in the balance sheet | | |
| | | | | (d)(i),(d)(ii) | (d)(iii) | |
| | Gross amounts of recognized financial assets/ (liabilities) | Gross amounts of recognized financial assets/ (liabilities) set off in the balance sheet | Net amounts of financial assets/ (liabilities) presented in the balance sheet | Financial instruments | Net portion of financial assets/ (liabilities) guaranteed with cash collateral | Net amount of financial assets/ (liabilities) |
| FINANCIAL ASSETS | | | | | | |
| Derivative financial assets: | | | | | | |
| - on interest rate risk | 554 | - | 554 | - | (59) | 495 |
| - on exchange risk | 2,395 | - | 2,395 | - | (1,834) | 561 |
| Total derivative financial assets | 2,949 | - | 2,949 | - | (1,893) | 1,056 |
| TOTAL FINANCIAL ASSETS | 2,949 | - | 2,949 | - | (1,893) | 1,056 |
| FINANCIAL LIABILITIES | | | | | | |
| Derivative financial liabilities: | | | | | | |
| - on interest rate risk | (757) | - | (757) | - | 597 | (160) |
| - on exchange risk | (2,881) | - | (2,881) | - | 1,201 | (1,680) |
| Total derivative financial liabilities | (3,638) | - | (3,638) | - | 1,798 | (1,840) |
| TOTAL FINANCIAL LIABILITIES | (3,638) | - | (3,638) | - | 1,798 | (1,840) |
| TOTAL NET FINANCIAL ASSETS/(LIABILITIES) | (689) | - | (689) | - | (95) | (784) |

33. Derivatives and hedge accounting

The following tables report the notional amount and fair value of derivative financial assets and liabilities by type of hedge relationship and hedged risk, broken down into current and non-current derivative financial assets and liabilities.

The notional amount of a derivative contract is the amount on the basis of which cash flows are exchanged. This amount

can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted at the end-year exchange rates provided by the European Central Bank.

| Millions of euro | Non-current | | | | | Current | | | | |
|--|------------------|------------------|------------------|------------------|--------------|------------------|------------------|------------------|------------------|------------|
| | Notional amount | | Fair value | | Change | Notional amount | | Fair value | | Change |
| | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | |
| Derivatives designated as hedging instruments | | | | | | | | | | |
| Cash flow hedges: | | | | | | | | | | |
| - on exchange risk | 2,517 | 3,928 | 751 | 888 | (137) | - | - | - | - | - |
| Total cash flow hedges | 2,517 | 3,928 | 751 | 888 | (137) | - | - | - | - | - |
| Fair value hedges: | | | | | | | | | | |
| - on interest rate risk | 800 | 800 | 27 | 35 | (8) | - | - | - | - | - |
| Total fair value hedges | 800 | 800 | 27 | 35 | (8) | - | - | - | - | - |
| Derivatives at FVTPL: | | | | | | | | | | |
| - on interest rate risk | 10,497 | 9,822 | 527 | 413 | 114 | 27 | 96 | 1 | 2 | (1) |
| - on exchange risk | 7,860 | 9,474 | 1,164 | 1,255 | (91) | 3,718 | 5,342 | 479 | 297 | 182 |
| Total derivatives at FVTPL | 18,357 | 19,296 | 1,691 | 1,668 | 23 | 3,745 | 5,438 | 480 | 299 | 181 |
| TOTAL DERIVATIVE FINANCIAL ASSETS | 21,674 | 24,024 | 2,469 | 2,591 | (122) | 3,745 | 5,438 | 480 | 299 | 181 |

| Millions of euro | Non-current | | | | | Current | | | | |
|--|------------------|------------------|------------------|------------------|------------|------------------|------------------|------------------|------------------|------------|
| | Notional amount | | Fair value | | Change | Notional amount | | Fair value | | Change |
| | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | |
| Derivatives designated as hedging instruments | | | | | | | | | | |
| Cash flow hedges: | | | | | | | | | | |
| - on interest rate risk | 390 | 390 | 154 | 143 | 11 | - | - | - | - | - |
| - on exchange risk | 2,394 | 1,556 | 1,225 | 887 | 338 | - | - | - | - | - |
| Total cash flow hedges | 2,784 | 1,946 | 1,379 | 1,030 | 349 | - | - | - | - | - |
| Derivatives at FVTPL: | | | | | | | | | | |
| - on interest rate risk | 10,535 | 9,860 | 530 | 419 | 111 | 127 | 195 | 74 | 67 | 7 |
| - on exchange risk | 7,860 | 9,475 | 1,173 | 1,268 | (95) | 3,718 | 5,343 | 482 | 300 | 182 |
| Total derivatives at FVTPL | 18,395 | 19,335 | 1,703 | 1,687 | 16 | 3,845 | 5,538 | 556 | 367 | 189 |
| TOTAL DERIVATIVE FINANCIAL LIABILITIES | 21,179 | 21,281 | 3,082 | 2,717 | 365 | 3,845 | 5,538 | 556 | 367 | 189 |

33.1 Hedge accounting

Derivatives are initially recognized at fair value, on the trade date of the contract and are subsequently re-measured at their fair value.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature of the item being hedged.

Hedge accounting is applied to derivatives entered into in order to reduce risks such as interest rate risk, exchange risk, commodity risk, credit risk and equity risk when all the criteria provided for under IAS 39 are met.

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Company also analyzes, both at hedge inception and on an ongoing systematic basis, the effectiveness of hedges using prospective and retrospective tests in order to determine whether hedging instruments are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Depending on the nature of the risks to which it is exposed, the Company designates derivatives as hedging instruments in one of the following hedge relationships:

- > cash flow hedge derivatives in respect of the risk of: i) changes in the cash flows associated with long-term floating-rate debt; ii) changes in the exchange rates associated with long-term debt denominated in a currency other than the currency of account or the functional currency in which the company holding the financial liability operates; iii) changes in the price of fuels and non-energy commodities denominated in a foreign currency;
- > fair value hedge derivatives involving the hedging of exposures to changes in the fair value of an asset, a liability or a firm commitment attributable to a specific risk;
- > derivatives hedging a net investment in a foreign operation (NIFO), involving the hedging of exposures to exchange rate volatility associated with investments in foreign entities.

For more details on the nature and the extent of risks arising from financial instruments to which the Company is exposed, please see note 32 "Risk management".

Cash flow hedges

Cash flow hedges are used in order to hedge the Company's exposure to changes in future cash flows that are attributable to a particular risk associated with an asset,

a liability or a highly probable transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting but the hedged item has not expired or been cancelled, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

The Company currently uses these hedge relationships to minimize the volatility of profit or loss.

Fair value hedges

Fair value hedges are used to protect the Company against exposures to adverse changes in the fair value of assets, liabilities or firm commitments attributable to a particular risk that could affect profit or loss.

Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedge is ineffective or no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

The Company currently makes use of such hedge relationships to seize opportunities associated with general developments in the yield curve.

Hedge of a net investment in a foreign operation (NIFO)

Hedges of net investments in foreign operations, with a functional currency other than the euro, are hedges of the impact of changes in exchange rates in respect of investments in foreign entities. The hedge instrument is a liability denominated in the same currency as the investment. The foreign exchange differences of the hedged item and the hedge are accumulated each year in equity until the disposal of the in-

vestment, at which time the foreign exchange differences are transferred to profit or loss.

The Company does not currently hold any hedges of net investments in a foreign operation.

For more information on the fair value measurement of derivatives, please see note 34 "Fair value measurement".

Hedge relationships by type of risk hedged

33.1.1 Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk of

transactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

| Millions of euro | | Fair value | Notional amount | Fair value | Notional amount |
|---------------------|--------------------------|------------------|-----------------|------------------|-----------------|
| Hedging instrument | Hedged item | at Dec. 31, 2016 | | at Dec. 31, 2015 | |
| Interest rate swaps | Floating-rate borrowings | (154) | 390 | (143) | 390 |
| Interest rate swaps | Fixed-rate borrowings | 27 | 800 | 35 | 800 |
| Total | | (127) | 1,190 | (108) | 1,190 |

The interest rate swaps outstanding at the end of the year and designated as hedging instruments function as a cash flow hedge and fair value hedge for the hedged item. More specifically, fair value hedge derivatives relate to the issue of an unconvertible hybrid bond denominated in euros in 2013, hedged in the amount of €800 million, while the cash

flow hedge derivatives refer to the hedging of certain floating-rate bonds issued since 2001.

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at December 31, 2016 and December 31, 2015, broken down by type of hedge.

| Millions of euro | Notional amount | | Fair value assets | | Notional amount | | Fair value liabilities | |
|--|------------------|------------------|-------------------|------------------|------------------|------------------|------------------------|------------------|
| | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Cash flow hedge derivatives: | - | - | - | - | 390 | 390 | (154) | (143) |
| - interest rate swaps | - | - | - | - | 390 | 390 | (154) | (143) |
| Fair value hedge derivatives: | 800 | 800 | 27 | 35 | - | - | - | - |
| - interest rate swaps | 800 | 800 | 27 | 35 | - | - | - | - |
| Total interest rate derivatives | 800 | 800 | 27 | 35 | 390 | 390 | (154) | (143) |

The notional amount of the interest rate swaps at December 31, 2016 came to €1,190 million (€1,190 million at December 31, 2015) with a corresponding negative fair value of €127 million (negative €108 million at December 31, 2015).

The deterioration in the fair value of derivatives compared with the previous year is mainly attributable to the general decline in the yield curve over the course of 2016.

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives.

| Millions of euro | Fair value | Distribution of expected cash flows | | | | | |
|--|-------------------------|-------------------------------------|------|------|------|------|--------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | Beyond |
| Cash flow hedge derivatives on interest rates | at Dec. 31, 2016 | | | | | | |
| Positive fair value | - | - | - | - | - | - | - |
| Negative fair value | (154) | (15) | (14) | (14) | (14) | (13) | (97) |

The following table shows the impact of cash flow hedge derivatives on interest rate risk on equity during the period, gross of tax effects.

| Millions of euro | 2016 | 2015 |
|--|--------------|-------------|
| Opening balance at January 1 | (87) | (93) |
| Changes in fair value recognized in equity (OCI) | - | - |
| Changes in fair value recognized in profit or loss - recycling | (23) | 6 |
| Changes in fair value recognized in profit or loss - ineffective portion | - | - |
| Closing balance at December 31 | (110) | (87) |

Fair value hedge derivatives

The following table shows the cash flows expected in coming years from fair value hedge derivatives.

| Millions of euro | Fair value | Distribution of expected cash flows | | | | | |
|-------------------------------------|------------------|-------------------------------------|------|------|------|------|--------|
| | at Dec. 31, 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Beyond |
| Fair value hedge derivatives | | | | | | | |
| Positive fair value | 27 | 14 | 14 | 32 | - | - | - |
| Negative fair value | - | - | - | - | - | - | - |

33.1.2 Exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on exchange risk of trans-

sactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

| Millions of euro | | Fair value | Notional amount | Fair value | Notional amount |
|---|-----------------------|-------------------------|-----------------|-------------------------|-----------------|
| Hedging instrument | Hedged item | at Dec. 31, 2016 | | at Dec. 31, 2015 | |
| Cross currency interest rate swaps (CCIRSs) | Fixed-rate borrowings | (474) | 4,911 | 1 | 5,484 |
| Total | | (474) | 4,911 | 1 | 5,484 |

The cross currency interest rate swaps outstanding at the end of the year and designated as hedging instruments function as a cash flow hedge for the hedged item. More specifically, these derivatives hedge fixed-rate bonds denominated in foreign currencies.

The following table shows the notional amount and the fair value of derivatives on exchange risk as at December 31, 2016 and December 31, 2015, broken down by type of hedge.

| Millions of euro | Notional amount | | Fair value assets | | Notional amount | | Fair value liabilities | |
|---|------------------|------------------|-------------------|------------------|------------------|------------------|------------------------|------------------|
| | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Cash flow hedge derivatives: | 2,517 | 3,928 | 751 | 888 | 2,394 | 1,556 | (1,225) | (887) |
| - forwards | - | - | - | - | - | - | - | - |
| - options | - | - | - | - | - | - | - | - |
| - cross currency interest rate swaps | 2,517 | 3,928 | 751 | 888 | 2,394 | 1,556 | (1,225) | (887) |
| Total foreign exchange derivatives | 2,517 | 3,928 | 751 | 888 | 2,394 | 1,556 | (1,225) | (887) |

The notional amount of the cross currency interest rate swaps at December 31, 2016 came to €4,911 million (€5,484 million at December 31, 2015), with a corresponding negative fair value of €474 million (positive €1 million at December 31, 2015).

In 2016 no hedges of exchange risk expired and no new hedges were established. Accordingly, the change in the value of the notional amount and the associated fair value

of derivatives mainly reflects the appreciation of the euro against the pound sterling and the depreciation of the euro against the US dollar.

Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on exchange risk.

| Millions of euro | Fair value | Distribution of expected cash flows | | | | | |
|--|-------------------------|-------------------------------------|------|-------|------|------|--------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | Beyond |
| Cash flow hedge derivatives on exchange rates | at Dec. 31, 2016 | | | | | | |
| Positive fair value | 751 | 99 | 98 | 100 | 62 | 61 | 685 |
| Negative fair value | (1,225) | (71) | (70) | (222) | (36) | (55) | (683) |

The following table shows the impact of cash flow hedge derivatives on exchange risk on equity during the period, gross of tax effects.

| Millions of euro | 2016 | 2015 |
|--|--------------|--------------|
| Opening balance at January 1 | (208) | (310) |
| Changes in fair value recognized in equity (OCI) | - | - |
| Changes in fair value recognized in profit or loss - recycling | (118) | 102 |
| Changes in fair value recognized in profit or loss - ineffective portion | - | - |
| Closing balance at December 31 | (326) | (208) |

33.2 Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 2016 and December 31, 2015.

| Millions of euro | Notional amount | | Fair value assets | | Notional amount | | Fair value liabilities | |
|--|------------------|------------------|-------------------|------------------|------------------|------------------|------------------------|------------------|
| | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 | at Dec. 31, 2016 | at Dec. 31, 2015 |
| Derivatives at FVTPL on interest rates: | 10,524 | 9,918 | 527 | 415 | 10,663 | 10,055 | (604) | (486) |
| - interest rate swaps | 10,524 | 9,918 | 527 | 415 | 10,663 | 10,055 | (604) | (486) |
| Derivatives at FVTPL on exchange rates: | 11,577 | 14,817 | 1,644 | 1,552 | 11,577 | 14,817 | (1,656) | (1,568) |
| - forwards | 2,699 | 5,694 | 158 | 308 | 2,699 | 5,694 | (158) | (311) |
| - cross currency interest rate swaps | 8,878 | 9,123 | 1,486 | 1,244 | 8,878 | 9,123 | (1,498) | (1,257) |
| Total derivatives at FVTPL | 22,101 | 24,735 | 2,171 | 1,967 | 22,240 | 24,872 | (2,260) | (2,054) |

At December 31, 2016, the notional amount of derivatives at fair value through profit or loss on interest rates and foreign exchange rates came to €44,341 million (€49,607 million at

December 31, 2015) corresponding to a negative fair value of €88 million (negative €87 million at December 31, 2015). The decrease compared with the previous year in the notio-

nal amount of derivatives at fair value through profit or loss reflects €6,480 million from a decline in forex operations, slightly offset by an increase of €1,214 million in the notional amount of interest rate swaps.

Interest rate swaps at the end of the year refer primarily to hedges of the debt of the Group companies with the market and intermediated in the same notional amount with those companies in the amount of €10,524 million.

The overall increase in the notional amount of interest rate swaps (€1,214 million) compared with the previous year is attributable to new transactions closed as part of the pre-hedge strategy for future bond issues in 2019-2020 designed to set the cost of future funding in advance. Compared with December 31, 2015, the overall change in the fair value (a negative €6 million) is largely connected with the general decline in the yield curve over the course of the year.

Forward contracts, with a notional amount of €2,699 million (€5,694 million at December 31, 2015), relate mainly to OTC derivatives entered into to mitigate the exchange risk associated with the prices of energy commodities within

the provisioning process of Group companies and matched with market transactions. They also hedge the expected cash flows in currencies other than the currency of account connected with the acquisition of non-energy commodities and investment goods in the sectors of renewable energy and infrastructure and networks (new generation digital meters).

The change in the notional amount and the fair value as compared with the previous year is associated with normal operations.

Cross currency interest rate swaps, with a notional amount of €8,878 million (€9,123 million at December 31, 2016), relate to hedges of exchange risk on the debt of the Group companies denominated in currencies other than the euro and matched with market transactions.

The change in the notional amount and the fair value of the cross currency interest rate swaps is mainly due to developments in the exchange rate of the euro with other major currencies.

34. Fair value measurement

The Company measures fair value in accordance with IFRS 13 whenever required by international accounting standards.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. The best estimate is the market price, i.e. its current price, publicly available and effectively traded on an active, liquid market.

The fair value of assets and liabilities is categorized into a fair value hierarchy that provides three levels defined as follows on the basis of the inputs to valuation techniques used to measure fair value:

- > Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Company has access at the measurement date;
- > Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- > Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

In this note, the relevant disclosures are provided in order to assess the following:

- > for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheet af-

ter initial recognition, the valuation techniques and inputs used to develop those measurements; and

- > for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

For this purpose:

- > recurring fair value measurements are those that IFRSs require or permit in the balance sheet at the end of each reporting period;
- > non-recurring fair value measurements are those that IFRSs require or permit in the balance sheet in particular circumstances.

The fair value of derivative contracts is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on a regulated market is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, volatility), discounting expected future cash flows on the basis of the market yield curve and translating amounts in currencies other than the euro using exchange rates provided by the European Central Bank. For contracts invol-

ving commodities, the measurement is conducted using prices, where available, for the same instruments on both regulated and unregulated markets.

In accordance with the new international accounting standards, in 2013 the Group included a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk.

More specifically, the Group measures CVA/DVA using a Potential Future Exposure valuation technique for the net exposure of the position and subsequently allocating the adjustment to the individual financial instruments that make up the overall portfolio. All of the inputs used in this technique are observable on the market. Changes in the assumptions underlying the estimated inputs could have an effect on the fair value reported for such instruments.

The notional amount of a derivative contract is the amount on which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price).

Amounts denominated in currencies other than the euro are converted into euros at the exchange rate provided by the European Central Bank.

The notional amounts of derivatives reported here do not necessarily represent amounts exchanged between the parties and therefore are not a measure of the Company's credit risk exposure.

For listed debt instruments, the fair value is given by official prices. For unlisted instruments the fair value is determined using appropriate valuation techniques for each category of financial instrument and market data at the closing date of the year, including the credit spreads of Enel SpA.

34.1 Assets measured at fair value in the balance sheet

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the balance sheet, the fair value measurement at the end of the

reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

| | Non-current assets | | | | | Current assets | | | |
|---|--------------------|-----------------------------|---------|--------------|---------|-----------------------------|---------|------------|---------|
| | Notes | Fair value at Dec. 31, 2016 | Level 1 | Level 2 | Level 3 | Fair value at Dec. 31, 2016 | Level 1 | Level 2 | Level 3 |
| Derivatives | | | | | | | | | |
| Cash flow hedge derivatives: | | | | | | | | | |
| - on exchange risk | 33 | 751 | - | 751 | - | - | - | - | - |
| Total | | 751 | - | 751 | - | - | - | - | - |
| Fair value hedge derivatives: | | | | | | | | | |
| - on interest rate risk | 33 | 27 | - | 27 | - | - | - | - | - |
| Total | | 27 | - | 27 | - | - | - | - | - |
| Fair value through profit or loss: | | | | | | | | | |
| - on interest rate risk | 33 | 527 | - | 527 | - | 1 | - | 1 | - |
| - on exchange risk | 33 | 1,164 | - | 1,164 | - | 479 | - | 479 | - |
| - on commodity risk | | - | - | - | - | - | - | - | - |
| Total | | 1,691 | - | 1,691 | - | 480 | - | 480 | - |
| TOTAL | | 2,469 | - | 2,469 | - | 480 | - | 480 | - |

34.2 Liabilities measured at fair value in the balance sheet

The following table reports, for each class of liabilities measured at fair value on a recurring or non-recurring basis in the balance sheet, the fair value measurement at the

end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

| Millions of euro | | Non-current liabilities | | | Current liabilities | | | | |
|---|-------|-----------------------------------|---------|--------------|---------------------|-----------------------------------|---------|------------|---------|
| | Notes | Fair value at Dec. 31, 2016 | Level 1 | Level 2 | Level 3 | Fair value at Dec. 31, 2016 | Level 1 | Level 2 | Level 3 |
| Derivatives | | | | | | | | | |
| Cash flow hedge derivatives: | | | | | | | | | |
| - on interest rate risk | 33 | 154 | - | 154 | - | - | - | - | - |
| - on exchange risk | 33 | 1,225 | - | 1,225 | - | - | - | - | - |
| Total | | 1,379 | - | 1,379 | - | - | - | - | - |
| Fair value through profit or loss: | | | | | | | | | |
| - on interest rate risk | 33 | 530 | - | 530 | - | 74 | - | 74 | - |
| - on exchange risk | 33 | 1,173 | - | 1,173 | - | 482 | - | 482 | - |
| Total | | 1,703 | - | 1,703 | - | 556 | - | 556 | - |
| TOTAL | | 3,082 | - | 3,082 | - | 556 | - | 556 | - |

34.3 Liabilities not measured at fair value in the balance sheet

The following table shows, for each class of liabilities not measured at fair value in the balance sheet but for which the fair value shall be disclosed, the fair value at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

| Millions of euro | | Liabilities | | | |
|------------------------------------|--------|--------------------------------|---------------|--------------|---------|
| | Notes | Fair value at Dec. 31, 2016 | Level 1 | Level 2 | Level 3 |
| Bonds: | | | | | |
| - fixed rate | 31.2.1 | 13,117 | 13,117 | - | - |
| - floating rate | 31.2.1 | 1,858 | 587 | 1,271 | - |
| Total | | 14,975 | 13,704 | 1,271 | - |
| Bank borrowings: | | | | | |
| - fixed rate | | - | - | - | - |
| - floating rate | 31.2.1 | 50 | - | 50 | - |
| Total | | 50 | - | 50 | - |
| Loans from Group companies: | | | | | |
| - fixed rate | 31.2.1 | 1,575 | - | 1,575 | - |
| - floating rate | | - | - | - | - |
| Total | | 1,575 | - | 1,575 | - |
| TOTAL | | 16,600 | 13,704 | 2,896 | - |

35. Related parties

Related parties have been identified on the basis of the provisions of international accounting standards and the applicable CONSOB measures.

The transactions Enel SpA entered into with its subsidiaries mainly involved the provision of services, the sourcing and employment of financial resources, insurance coverage, human resource management and organization, legal and corporate services, and the planning and coordination of tax and administrative activities.

All the transactions are part of routine operations, are carried out in the interest of the Company and are settled on an arm's length basis, i.e. on the same market terms as agreements entered into between two independent parties.

Finally, the Enel Group's corporate governance rules, which are discussed in greater detail in the Report on Corporate Governance and Ownership Structure available on the Company's website (www.enel.com), establish conditions for ensuring that transactions with related parties are performed in accordance with procedural and substantive propriety.

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at <https://www.enel.com/en/investors/a201608-transactions-with-related-parties.html>) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2016, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution 17221 of March 12, 2010, as amended with Resolution 17389 of June 23, 2010.

The following tables summarize commercial, financial and other relationships between the Company and related parties.

Commercial and other relationships

2016

| Millions of euro | | | Costs | | Revenue | |
|--|------------------|------------------|----------|-----------|----------|------------|
| | Receivables | Payables | Goods | Services | Goods | Services |
| | at Dec. 31, 2016 | at Dec. 31, 2016 | 2016 | | 2016 | |
| Subsidiaries | | | | | | |
| Central Geradora Termelétrica Fortaleza SA | 1 | - | - | - | - | 1 |
| Enel Generación Perú SAA | 5 | - | - | - | - | 3 |
| Enel Distribución Perú SAA | 6 | - | - | - | - | 3 |
| Enel Generación Piura SA | 1 | - | - | - | - | 1 |
| Enel Brasil SA | 13 | - | - | - | - | 7 |
| Endesa Distribución Eléctrica SL | 36 | 1 | - | - | - | 18 |
| Endesa Generación SA | 20 | 1 | - | 1 | - | 17 |
| Enel Latinoamérica SA | - | 1 | - | 1 | - | - |
| Endesa SA | - | 2 | - | 1 | - | 1 |
| e-distributie Banat SA | 3 | - | - | - | - | 2 |
| e-distributie Dobrogea SA | 2 | - | - | - | - | 1 |
| e-distributie Muntenia SA | 6 | - | - | - | - | 3 |
| e-distribuzione SpA | 132 | 263 | - | - | - | 53 |
| Enel Energia SpA | 120 | 37 | - | - | - | 16 |
| Enel Iberoamérica SL | 2 | 10 | - | 10 | - | 1 |
| Enel Green Power SpA | 16 | 15 | - | - | - | 20 |
| Enel Green Power North America Inc. | 1 | 1 | - | - | - | - |
| Enel Ingegneria e Ricerca SpA | - | 12 | - | - | - | - |
| Enel Russia PJSC | 17 | 3 | - | 1 | - | 5 |
| Enel Produzione SpA | 67 | 186 | - | - | - | 24 |
| Enel Romania Srl | 5 | - | - | - | - | 1 |
| Enel Italia Srl | 61 | 55 | - | 64 | - | 10 |
| Enel Servizio Elettrico SpA | 51 | 20 | - | - | - | 4 |
| Enel Sole Srl | 4 | 5 | - | - | - | 1 |
| Enel Trade SpA | 57 | 2 | - | - | - | 3 |
| Enel.Factor SpA | 1 | 2 | - | - | - | - |
| Enel.si Srl | - | 1 | - | - | - | - |
| Endesa Energía SA | 5 | - | - | - | - | 1 |
| Enel Américas SA | 4 | - | - | - | - | 1 |
| Gas y Electricidad Generación SAU | 3 | - | - | - | - | 2 |
| RusEnergoSbyt LLC | 1 | - | - | - | - | - |
| Slovenské elektrárne AS | 17 | - | - | - | - | 1 |
| Unión Eléctrica de Canarias Generación SAU | 5 | - | - | - | - | 4 |
| 3Sun Srl | - | 28 | - | - | - | - |
| Total | 662 | 645 | - | 78 | - | 204 |
| Other related parties | | | | | | |
| GSE | 1 | - | - | - | - | - |
| Fondazione Centro Studi Enel | - | - | - | - | - | 1 |
| Total | 1 | - | - | - | - | 1 |
| TOTAL | 663 | 645 | - | 78 | - | 205 |

| Millions of euro | Receivables at Dec. 31, 2015 | Payables at Dec. 31, 2015 | Costs | | Revenue | |
|---|------------------------------------|---------------------------------|----------|-----------|----------|------------|
| | | | Goods | Services | Goods | Services |
| | | | 2015 | | 2015 | |
| Subsidiaries | | | | | | |
| Central Geradora Termeléfrica Fortaleza SA | 1 | - | - | - | - | 1 |
| Edegel SA | 2 | - | - | - | - | 2 |
| Empresa de Distribución Eléctrica de Lima Norte SAA | 3 | - | - | - | - | 2 |
| Enel Brasil SA | 15 | - | - | - | - | 15 |
| Endesa Distribución Eléctrica SL | 19 | 1 | - | 1 | - | 8 |
| Endesa Generación SA | 3 | - | - | - | - | 5 |
| Enel Latinoamérica SA | - | - | - | 1 | - | - |
| Endesa SA | - | 1 | - | 3 | - | - |
| Enel Distributie Banat SA | 1 | - | - | - | - | 1 |
| Enel Distributie Dobrogea SA | 1 | - | - | - | - | 1 |
| Enel Distributie Muntenia SA | 3 | - | - | - | - | 2 |
| Enel Distribuzione SpA | 361 | 167 | - | - | - | 45 |
| Enel Energia SpA | 102 | 26 | - | - | - | 7 |
| Enel Iberoamérica SL | 1 | 8 | - | 9 | - | 1 |
| Enel France Sas | 2 | 1 | - | - | - | - |
| Enel Green Power SpA | 17 | 115 | - | - | - | 16 |
| Enel Green Power North America Inc. | 1 | 1 | - | - | - | - |
| Enel Ingegneria e Ricerca SpA | 2 | 6 | - | - | - | 1 |
| Enel Russia PJSC | 18 | 4 | - | - | - | 7 |
| Enel Produzione SpA | 132 | 153 | - | - | - | 23 |
| Enel Romania Srl | 4 | - | - | - | - | 1 |
| Enel Italia Srl | 84 | 64 | - | 58 | - | 80 |
| Enel Servizio Elettrico SpA | 57 | 13 | - | - | - | 4 |
| Enel Sole Srl | 2 | 3 | - | 1 | - | 1 |
| Enel Trade SpA | 5 | 85 | - | - | - | 4 |
| Enel.Factor SpA | - | 2 | - | - | - | - |
| Enel Insurance NV | 1 | - | - | - | - | - |
| Enel.si Srl | 1 | 2 | - | - | - | - |
| Enelpower SpA | - | 3 | - | - | - | - |
| Endesa Energía SA | 4 | - | - | - | - | 4 |
| Enersis SA | 3 | - | - | - | - | 2 |
| Gas y Electricidad Generación SAU | 1 | - | - | - | - | 2 |
| Nuove Energie Srl | - | 1 | - | - | - | - |
| Slovenské elektrárne AS | 16 | - | - | - | - | 7 |
| Unión Eléctrica de Canarias Generación SAU | 1 | - | - | - | - | 1 |
| Total | 863 | 656 | - | 73 | - | 243 |
| Other related parties | | | | | | |
| GSE | 1 | - | - | - | - | - |
| Fondazione Centro Studi Enel | - | - | - | - | - | 1 |
| Total | 1 | - | - | - | - | 1 |
| TOTAL | 864 | 656 | - | 73 | - | 244 |

Financial relationships

2016

| Millions of euro | Receivables | Payables | Guarantees | Costs | Revenue | Dividends |
|-------------------------------------|------------------|--------------|---------------|------------|--------------|--------------|
| | at Dec. 31, 2016 | | | 2016 | | |
| Subsidiaries | | | | | | |
| Concert Srl | - | 2 | - | - | - | - |
| e-distribuzione SpA | 1,668 | 13 | 3,725 | 13 | 84 | 1,610 |
| Enel Energia SpA | 6 | 791 | 1,733 | - | 6 | 358 |
| Enel Iberoamérica SL | 1 | 1 | 54 | - | 1 | 550 |
| Enel Finance International NV | 733 | 3,207 | 23,131 | 178 | 1,068 | - |
| Enel Green Power Chile Ltda | 3 | 3 | - | - | - | - |
| Enel Green Power International BV | - | - | - | 96 | 18 | - |
| Enel Green Power North America Inc. | - | - | 53 | - | - | - |
| Enel Green Power SpA | 578 | 18 | 10,596 | 3 | 33 | 50 |
| Enel Green Power Perú SA | 5 | - | - | - | 6 | - |
| Enel Ingegneria e Ricerca SpA | 19 | - | 30 | - | - | - |
| Enel Investment Holding BV | - | 2 | 2 | - | - | - |
| Enel M@p Srl | 1 | - | 1 | - | - | - |
| Enel Produzione SpA | 463 | 30 | 2,412 | 19 | 29 | 304 |
| Enel Italia Srl | 83 | - | 94 | - | 6 | - |
| Enel Servizio Elettrico SpA | 334 | - | 1,701 | - | 7 | - |
| Enel Sole Srl | 1 | 70 | 231 | - | 1 | - |
| Enel Trade Romania Srl | - | - | 7 | - | - | - |
| Enel Trade SpA | 28 | 1,369 | 1,579 | 208 | 124 | - |
| Enel Trade d.o.o. | - | - | 1 | - | - | - |
| Enel.Factor SpA | 91 | - | - | 2 | 3 | 3 |
| Enel.Newhydro Srl | - | 16 | 1 | - | - | - |
| Enel.si Srl | 13 | - | 7 | - | - | - |
| Enelpower SpA | - | 37 | 1 | - | - | - |
| Nuove Energie Srl | 20 | - | 86 | - | - | - |
| OpEn Fiber SpA | - | - | 123 | - | - | - |
| Enel Oil & Gas SpA | - | 2 | - | - | - | - |
| 3Sun Srl | - | - | - | 2 | - | - |
| Total | 4,047 | 5,561 | 45,568 | 521 | 1,386 | 2,875 |
| Other related parties | | | | | | |
| CESI SpA | - | - | - | - | - | 1 |
| Total | - | - | - | - | - | 1 |
| TOTAL | 4,047 | 5,561 | 45,568 | 521 | 1,386 | 2,876 |

| Millions of euro | Receivables | Payables | Guarantees | Costs | Revenue | Dividends |
|---------------------------------------|------------------|--------------|---------------|--------------|------------|--------------|
| | at Dec. 31, 2015 | | | 2015 | | |
| Subsidiaries | | | | | | |
| Enel Distribuzione SpA | 165 | 890 | 3,719 | 2 | 48 | 1,245 |
| Enel Energia SpA | 9 | 395 | 1,087 | - | 10 | 159 |
| Enel Iberoamérica SL | 1 | - | - | - | 1 | 500 |
| Enel Finance International NV | 1,459 | 2,432 | 21,846 | 1,533 | 48 | - |
| Enel Green Power Chile Ltda | - | - | - | 1 | 2 | - |
| Enel Green Power International BV | 107 | - | - | - | 13 | - |
| Enel Green Power México S de RL de Cv | - | 3 | - | - | 2 | - |
| Enel Green Power North America Inc. | - | - | 51 | 1 | 2 | - |
| Enel Green Power SpA | 331 | 7 | 1,804 | 67 | 132 | 109 |
| Enel Ingegneria e Ricerca SpA | 1 | 3 | 33 | 1 | 2 | - |
| Enel Investment Holding BV | 1 | 87 | 376 | - | 1 | - |
| Enel Longanesi Developments Srl | 28 | - | 2 | - | - | - |
| Enel M@p Srl | 1 | - | 1 | - | - | - |
| Enel Produzione SpA | 119 | 648 | 2,415 | 145 | 36 | - |
| Enel Italia Srl | 101 | 84 | 73 | - | 6 | 9 |
| Enel Servizio Elettrico SpA | 1,017 | - | 1,798 | - | 8 | - |
| Enel Sole Srl | 17 | - | 110 | - | 1 | - |
| Enel Trade Romania Srl | - | - | 8 | - | - | - |
| Enel Trade SpA | 47 | 364 | 1,560 | 497 | 347 | - |
| Enel.Factor SpA | 123 | 2 | - | 2 | 2 | - |
| Enel.Newhydro Srl | - | 15 | 1 | - | - | - |
| Enel.si Srl | 4 | - | 36 | - | - | - |
| Enelpower SpA | - | 36 | 1 | - | - | - |
| Marcinelle Energie SA | - | - | 8 | - | - | - |
| Nuove Energie Srl | 13 | - | 86 | - | - | - |
| Enel Oil & Gas SpA | - | 2 | - | - | - | - |
| Total | 3,544 | 4,968 | 35,015 | 2,249 | 661 | 2,022 |
| Other related parties | | | | | | |
| Emittenti Titoli SpA | - | - | - | - | - | 1 |
| CESI SpA | - | - | - | - | - | 1 |
| Total | - | - | - | - | - | 2 |
| TOTAL | 3,544 | 4,968 | 35,015 | 2,249 | 661 | 2,024 |

The impact of transactions with related parties on the balance sheet, income statement and cash flows is reported in the following tables.

Impact on balance sheet

| Millions of euro | Total | Related parties | % of total | Total | Related parties | % of total |
|-------------------------------------|------------------|-----------------|------------|------------------|-----------------|------------|
| | at Dec. 31, 2016 | | | at Dec. 31, 2015 | | |
| Assets | | | | | | |
| Derivatives - non-current | 2,469 | 953 | 38.6% | 2,591 | 317 | 12.2% |
| Other non-current financial assets | 53 | 27 | 50.9% | 107 | 71 | 66.4% |
| Other non-current assets | 188 | 154 | 81.9% | 409 | 164 | 40.1% |
| Trade receivables | 255 | 248 | 97.3% | 283 | 278 | 98.2% |
| Derivatives - current | 480 | 19 | 4.0% | 299 | 26 | 8.7% |
| Other current financial assets | 4,221 | 3,048 | 72.2% | 3,403 | 3,130 | 92.0% |
| Other current assets | 299 | 261 | 87.3% | 460 | 422 | 91.7% |
| Liabilities | | | | | | |
| Long-term borrowings | 13,664 | 1,200 | 8.8% | 14,503 | - | - |
| Derivatives - non-current | 3,082 | 747 | 24.2% | 2,717 | 1,365 | 50.2% |
| Other non-current liabilities | 36 | 33 | 91.7% | 243 | 243 | 100.0% |
| Short-term borrowings | 6,184 | 4,268 | 69.0% | 4,914 | 3,243 | 66.0% |
| Trade payables | 150 | 68 | 45.3% | 164 | 59 | 36.0% |
| Derivatives - current | 556 | 464 | 83.5% | 367 | 276 | 75.2% |
| Other current financial liabilities | 550 | 82 | 14.9% | 643 | 84 | 13.1% |
| Other current liabilities | 1,694 | 544 | 32.1% | 1,046 | 354 | 33.8% |

Impact on income statement

| Millions of euro | Total | Related parties | % of total | Total | Related parties | % of total |
|---------------------------------------|-------|-----------------|------------|-------|-----------------|------------|
| | 2016 | | | 2015 | | |
| Revenue | 207 | 205 | 99.0% | 245 | 244 | 99.6% |
| Services and other operating expenses | 335 | 78 | 23.3% | 399 | 73 | 18.3% |
| Income from equity investments | 2,882 | 2,876 | 99.8% | 2,024 | 2,024 | 100.0% |
| Financial income on derivatives | 2,787 | 1,239 | 44.5% | 3,358 | 500 | 14.9% |
| Other financial income | 556 | 147 | 26.4% | 177 | 161 | 91.0% |
| Financial expense on derivatives | 3,127 | 467 | 14.9% | 3,024 | 2,248 | 74.3% |
| Other financial expense | 979 | 54 | 5.5% | 1,243 | 1 | 0.1% |

Impact on cash flows

| Millions of euro | Total | Related parties | % of total | Total | Related parties | % of total |
|---|---------|-----------------|------------|---------|-----------------|------------|
| | 2016 | | | 2015 | | |
| Cash flows from operating activities | 2,511 | (1,173) | -46.7% | 1,062 | 1,092 | 102.8% |
| Cash flows from investing/disinvesting activities | (409) | (409) | 100.0% | (560) | (559) | 99.8% |
| Cash flows from financing activities | (4,989) | 1,455 | -29.2% | (1,549) | 29 | -1.9% |

36. Contractual commitments and guarantees

Millions of euro

| | at Dec. 31, 2016 | at Dec. 31, 2015 | Change |
|---------------------------------------|------------------|------------------|---------------|
| Sureties and guarantees given: | | | |
| - third parties | 347 | 376 | (29) |
| - subsidiaries | 45,568 | 35,015 | 10,553 |
| Total | 45,915 | 35,391 | 10,524 |

Sureties granted to third parties regard guarantees issued by the Parent Company as part of the disposal to third parties of assets owned by Enel SpA or in the interest of its subsidiaries and they essentially regard the sale of real estate assets (€346 million). The guarantee is meant to ensure the performance of contractual obligations, specifically payments due and the commitment to renew at least 50% of the long-term lease agreements for six years.

Other sureties and guarantees issued on behalf of subsidiaries include:

- > €21,003 million issued on behalf of Enel Finance International securing bonds denominated in US dollars, pounds, euros and yen as part of the €35 billion Global Medium-Term Notes program;
- > €9,397 million issued on behalf of various companies controlled by Enel Green Power, mainly acquired in Group reorganization operations;
- > €2,810 million issued to the European Investment Bank (EIB) for loans granted to e-distribuzione, Enel Produzione, Enel Green Power and Enel Sole;
- > €1,997 issued to the tax authorities in respect of participation in the Group VAT procedure on behalf of Enel.NewHydro, Enel Trade, Enel Produzione, Enelpower, Enel Servizio Elettrico, Nuove Energie, Enel Ingegneria e Ricerca, Enel M@p, Enel.si, Enel Green Power, Enel Sole and Energy Hydro Piave;
- > €2,127 million issued on behalf of Enel Finance International to secure the Euro commercial paper program;
- > €1,407 million in favor of Cassa Depositi e Prestiti issued on behalf of e-distribuzione, which received the Enel Grid Efficiency II loan;
- > €1,150 million issued by Enel SpA to the Acquirente Unico (Single Buyer) on behalf of Enel Servizio Elettrico for obli-

gations under the electricity purchase contract;

- > €669 million issued to INPS on behalf of various Group companies whose employees elected to participate in the structural staff reduction plan (Article 4 of Law 92/2012);
- > €524 million issued to Terna on behalf of e-distribuzione, Enel Trade, Enel Produzione, Enel Green Power and Enel Energia in respect of agreements for electricity transmission services;
- > €347 million issued to Snam Rete Gas on behalf of Enel Trade for gas transport capacity;
- > €330 million as counter-guarantees in favor of the banks that guaranteed the Energy Markets Operator (GME) on behalf of Enel Trade and Enel Produzione;
- > €80 million issued to RWE Supply & Trading GmbH on behalf of Enel Trade for electricity purchases;
- > €50 million issued to E.ON on behalf of Enel Trade for trading on the electricity market;
- > €32 million issued to Wingas GmbH & CO.KG on behalf of Enel Trade for the supply of gas;
- > €3,645 million issued to various beneficiaries as part of financial support activities by the Parent Company on behalf of subsidiaries.

Compared with December 31, 2015, the increase in other sureties and guarantees issued on behalf of subsidiaries mainly reflects the effects of the corporate finance transactions involving the Enel Green Power Group, which included the transfer to Enel SpA of a number of guarantees issued by Enel Green Power SpA on behalf of its subsidiaries.

In its capacity as the Parent Company, Enel SpA has also granted letters of patronage to a number of Group companies, essentially for assignments of receivables.

37. Contingent liabilities and assets

Please see note 49 to the consolidated financial statements for information on contingent liabilities and asset.

38. Events after the reporting date

Please see note 50 to the consolidated financial statements for information on events after the reporting date.

39. Fees of audit firm pursuant to Article 149-*duodecies* of the CONSOB “Issuers Regulation”

Fees paid in 2016 by Enel SpA and its subsidiaries to the audit firm and entities belonging to its network for services are summarized in the following table, pursuant to the provisions of Article 149-*duodecies* of the CONSOB “Issuers Regulation”.

| Type of service | Entity providing the service | Fees (millions of euro) |
|------------------------------|--|-------------------------|
| Enel SpA | | |
| Auditing | of which: | |
| | - EY SpA | 0.4 |
| | - entities of Ernst & Young Global Limited network | - |
| Certification services | of which: | |
| | - EY SpA | 0.5 |
| | - entities of Ernst & Young Global Limited network | - |
| Other services | of which: | |
| | - EY SpA | - |
| | - entities of Ernst & Young Global Limited network | - |
| Total | | 0.9 |
| Enel SpA subsidiaries | | |
| Auditing | of which: | |
| | - EY SpA | 2.1 |
| | - entities of Ernst & Young Global Limited network | 14.1 |
| Certification services | of which: | |
| | - EY SpA | 1.3 |
| | - entities of Ernst & Young Global Limited network | 1.8 |
| Other services | of which: | |
| | - EY SpA | - |
| | - entities of Ernst & Young Global Limited network | 0.7 |
| Total | | 20.0 |
| TOTAL | | 20.9 |