Enel Investment Holding B.V.

Annual report 2016

Contents

Director's Report

General Information

Management of the Enel Investment Holding BV (hereinafter: the "Company") hereby presents its non-consolidated financial statements for the financial year up to and including 31 December 2016.

On October 3th 2016, following the Extraordinary Resolution adopted by the Adjourned Meeting of bondholders of EUR 300.000.000 5,25% notes, Enel Investment Holding BV, the original issuer, have been signed the Deed of Substitution of in favor of Enel Finance International NV. Starting from October the 4th 2016 the Company has not listed financial instruments.

Following the transfer of the above mentioned bond, the Company has no other financial instrument traded in a public market and is no longer obliged to file the relevant reporting with AFM. Furthermore Enel Investment Holding BV is wholly owned by Enel SpA that issue a consolidation financial statement, so for the IAS/IFRS, the Company is no longer obligated to perform a consolidated financial statement.

Under Dutch law, the exemption of consolidation is stated by the article 408 BW2 under the following condition:

- No listed company;
- No difference in accounting principles;
- Financial statement of parent company (Enel SpA) available in English at the chamber of commerce of parent company;

The Company satisfied all the conditions above. For these reasons the company will not issue a consolidation financial statement from the year end 2016 onwards, until the above mentioned condition will remain so.

Enel Investment Holding BV is a private limited liability company wholly owned by Enel SpA, the ultimate Parent Company, which has its registered office in Rome (Italy). The Company has its registered office at Herengracht 471 in Amsterdam (The Netherlands) and was incorporated on 15 December 2000 under Dutch Law.

The purpose of the Company is to carry on activities and to invest directly or indirectly in companies or ventures operating:

- in the electricity industry, including all generation, distribution, sale and transmission activities;
- in the energy industry in general, including fuels, and in the field of environmental protection, as well as the water sector;
- in the communications, information-technology and the multimedia and interactive services industries;
- in network-based sectors (electricity, water, gas, district heating, telecommunications) and in sectors which, in any case, provide urban services;
- In other sectors in any way related or connected with the activities carried out in the sectors above mentioned.

Introduction

In 2016 the priorities of the Company were focused on the consolidation and integration of the scope of operations taking advantage of the opportunities in the international market. This is underlined by the fact that, following a cycle of international expansion completed in 2008 by the Parent Company Enel SpA., the Company now holds the equity investments of ENEL S.p.A. in most of the Enel overseas companies operating in Europe, except for Endesa and the companies operating in the renewable sector.

In Russia, Enel Russia continued to optimize its sales strategy and focus on cost containment actions in an adverse market environment. Additionally, the company continued to refurbish its flagship plant, coal-fired Reftinskaya GRES, with investments focused both on environmental improvements and modernization of the plant’s equipment.

In Romania, the Company is pursuing its plans to exploit the synergies arising from integration, optimization and consolidation with the other Romanian subsidiaries, as well as to improve operational management and enhance the value of its assets. Investments are also being made to develop the electricity grid, reduce commercial losses and to increase service quality, as well as to create the integration of the distribution and sales companies.

In order to reorganize the Enel Group’s activities in the reinsurance business, the Company established a new Dutch company named Enel.re NV, then renamed into Enel Insurance N.V., jointly with the Spanish affiliated Endesa SA, in which all equity investments in the existing reinsurance have been transferred in order to take advantage of all synergies involved in the project. In May 2016 the Company acquire the remaining 50% of Enel Insurance.

Significant events in 2016

Legal case Enel Investment Holding BV – Electrica SA

On July 5, 2013 SAPE (formerly Electrica SA) notified to Enel SpA, Enel Investment Holding, Enel Distributie Muntenia and Enel Energie Muntenia a request for arbitration at the Chamber of Commerce in Paris with a claim for damages for alleged violations of the privatization agreement, requiring payment of penalties for about 800 milion of euro, plus interests and further damage to quantify.
On July 18, 2016 the Arbitral Tribunal unanimously rejected in full the claims of SAPE and ordered the claimant to pay the costs of the arbitration proceedings.

Bond Issuer Substitution

On October 3th 2016, following the Extraordinary Resolution adopted by the Adjourned Meeting of bondholders of EUR 300.000.000 5,25% notes, Enel Investment Holding BV, the original issuer, have been signed the Deed of Substitution of in favor of Enel Finance International NV. Starting from October 4th 2016 the Company has not listed financial instruments.

Fiscal unity

As of 1 January 2015, the Company forms part of a fiscal unity with Enel Finance International NV whereby the Company is the head of the fiscal unity.

The Company is jointly with Enel Finance International NV liable for all corporate income tax liabilities of the fiscal unity.

In the financial statements of Enel Finance International NV, tax expenses are calculated on the basis of the commercial result realized by Enel Finance International NV. The Company and Enel Finance International NV will settle these expenses through their intercompany accounts.

BEG litigation

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

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

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

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

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

1) France

In February 2012, Albania BEG Ambient Shpk filed an action against Enel and Enelpower at the Tribunal de Grande Instance in Paris in order to declare the ruling of the Albanian court enforceable in France. Enel and Enelpower have challenged the claim. The proceeding is ongoing. Subsequently, again at the initiative of Albania BEG Ambient Shpk, Enel France was served with two "Saise Conservatoire de Créances" (orders for the precautionary attachment of receivables) to block any receivables of Enel SpA in respect of Enel France.

2) State of New York

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

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

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

3) Holland

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

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

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

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

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

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

4) Luxembourg and Ireland

Albania BEG Ambient Shpk has also initiated the procedure for the enforcement of the judgment of the Court of Tirana at Luxembourg and in Ireland. In their defence Enel SpA and Enelpower challenged all requests of Albania BEG Ambient Shpk. (and, in Ireland, the jurisdiction of the Irish courts). On 8 March 2016 the Irish Court by its decision admitted the jurisdiction challenge raised by Enel Spa and Enelpower SpA pronouncing the lack of jurisdiction in Ireland. In Luxembourg, at the initiative of Albania BEG Ambient Shpk, JP Morgan Luxembourg was served with attachments of receivables regarding any potential credit of Enel SpA. The proceedings are still ongoing and Enel Spa and Enelpower SpA are contesting the claims presented by Albania Beg Ambient Shpk. The Court has made no decision so far.

Overview of the Company's performance and financial position

Definition of performance indicators

In order to present the results of the Company and analyze its financial structure, a separate reclassified schedules has been prepared. These reclassified schedules contain different performance indicators from those obtained directly from the financial statements, which management feels are useful in monitoring performance of the Company business.

In accordance with recommendation CESR/05-178b published on 3 November 2005, the criteria used to calculate the indicators are described below:

Gross operating margin: an operating performance indicator, calculated as "Operating income" before "Depreciation, amortization and impairment losses";

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

"Deferred tax assets";

"Financial receivables due from other entities", "Other securities designated at fair value through profit or loss" and other minor items reported under "Non-current financial assets";

"Long-term loans";

"Post-employment and other employee benefits";

"Provisions for risks and charges";

"Deferred tax liabilities".

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

"Receivables for factoring advances", "Long-term financial receivables (short-term portion), "Other securities" and other minor items reported under "Current financial assets";

"Cash and cash equivalents";

"Short-term loans" and the "Current portion of long-term loans".

Net capital employed: calculated as the algebraic sum of "Net non-current assets" and "Net current assets", provisions not previously considered, "Deferred tax liabilities" and "Deferred tax assets", as well as "Net assets held for sale".

Net financial debt: a financial structure indicator, determined by "Long-term loans", the current portion of such loans and "Short-term loans" less "Cash and cash equivalents", "Current financial assets" and "Non-current financial assets" not previously considered in other balance sheet indicators.

Company performance on income statement

Millions of euro

	2016	2015
Total revenues	16	2
Total costs	(67)	9
Gross operating income	**83**	**(7)**
Depreciation, amortization and impairment losses	(58)	519
Operating Income	**141**	**(526)**
Financial income	32	145
Financial expense	(13)	(21)
Total financial income/(expenses)	**19**	**124**
Profit/(loss) before taxes	**160**	**(402)**
Income taxes	-	(1)
Net profit	**160**	**(403)**

Revenues

In 2016 **revenues** amounted to EUR 16 million, up to EUR 14 million over 2015.

Millions of euro

	2016	2015	Change
Revenues from sale and services	2	2	-
Capital gains on disposal of interests in subsidiaries	13	-	13
Other income	1	-	1
Total	**16**	**2**	**14**

Revenues from sale and services refers to the service agreement between the Company and the Netherlands based Enel Companies, amounted to EUR 2 million.

The item **capital gains on disposal of interests in subsidiaries** is related to the repayment of equity of Enel France due the disposal of the company in November 2016.

The **other income** refers to the compensation of the trial and legal expenses, paid by SAPE due the rejection of its claim.

Costs

Millions of euro			
	2016	2015	Change
Cost for services	4	4	-
Personnel	1	1	-
Cost for development project of wich:			
- Third parties	1	1	-
- Intercompany	3	3	-
Provision for risk and charges	(79)	-	(79)
Losses on disposal of interests in subsidiaries	2	-	2
Sundry operating expenses	1	-	1
Total	**(67)**	**9**	**(77)**

Costs for services amount to EUR 4 million in 2016 in line with the previous period

The cost of **personnel** amount to EUR 1 milion in line with the previous period.

Cost for development project are related to our business development in Mexico and totaled EUR 4 milion of which 3 milion toward Enel Group companies.

Provision for risk and charges amount to EUR -79 milion due the release of the provision for risk and charges following the conclusion of the above mentioned trial with SAPE.

The item **losses on disposal of interest in subsidiaries** amount to EUR 2 milion due the disposal of Enel France.

The **operating income** increased by EUR 667 million to EUR 141 million in 2016. The change is mainly attributable to the impairments held in 2015 for EUR 519 milion, to the release of the provision for risk and charges EUR 79 milion, the reversal of impairment due the disposal of Marcinelle Energie EUR 58 milion and EUR 13 milion is related to the repayment of equity of Enel France due the disposal of the company.

Net financial income dropped by EUR 105 million to EUR 19 million in 2016 (EUR 124 million in 2015). The decrease in net financial income is primarily connected to lower dividend distribution of the Company's subsidiaries.

Analysis of the Company financial position

Millions of euro

	2016	2015	Change
Net non-current assets:			
Property, plant and equipment and intangible assets	-	-	-
Equity investment in other companies	2.315	2.675	(360)
Other net non-current assets/(liabilities)	-	-	-
Total	**2.315**	**2.675**	**(360)**
Net current assets:			
Other net current assets/(liabilities)	(401)	(738)	337
Trade payables	(1)	(3)	2
Total	**(402)**	**(741)**	**339**
Gross capital employed	**1.913**	**1.934**	**(21)**
Provisions:			
Provisions for risks and charges	-	79	(79)
Total	**-**	**79**	**(79)**
Net assets held for sale	**-**	**-**	0
Net Capital Employed	**1.913**	**2.013**	**(100)**
Total Shareholders' Equity	**3.260**	**3.137**	123
Net Financial Debt	**(1.347)**	**(1.124)**	**(223)**

The **net non-current assets**, as at 31 December 2016, drop by EUR 360 million compared to 31 December 2015 mostly due change in value of the exercise of the put option over Muntenia Energie and Enel Distributie Muntenia due the arbitration award.

Net current assets came to a negative EUR 402 million, with an increase of EUR 339 million compared to 31 December 2015 mainly due to the decrease of payables related to the above mentioned put option.

Provisions amounted to EUR nil, with a decrease of EUR 79 million due the release of the provision for risk and charges following the conclusion of the above mentioned trial.

Net capital employed came to EUR 1.913 million at 31 December 2016, down EUR 100 million in comparison with 31 December 2015. It is funded by shareholders' equity in the amount of EUR 3.260 million and by net financial debt totaling EUR -1.347 million. The debt-to-equity ratio at 31 December 2016 came to -41% (-36% as of 31 December 2015).

Analysis of the financial structure

Millions of euro

	2016	2015	Change
Long Term Debt:			
Bank loans	-	-	-
Bonds	-	298	(298)
Other loans from third parties	-	-	-
Long-term debt	-	*298*	(298)
Long-term financial receivables and securities	-	-	-
Other m/l term financial receivables from Enel Group's Companies	-	(298)	298
Net long-term debt	**-**	**-**	**-**
Short Term Debt:			
Short-term portion of long term bank debt	-	-	-
Other short-term bank debt	-	-	-
Short-term bank debt	-	-	-
Bonds (short-term portion)	-	-	-
Other loans form Third parties (short-term portion)	-	-	-
Intercompany current account - Enel SpA	(2)	(87)	85
Other short-term debt	(2)	*(87)*	85
Long term financial receivables (short-term portion)	-	-	-
Short-term financial receivables	-	-	-
Short-term financial receivables from Enel SpA	-	-	-
Short-term financial receivables from Enel Group Companies	-	-	-
Cash and cash equivalents	(1.345)	(1.214)	(131)
Net short-term debt	**(1.347)**	**(1.301)**	(46)
NET FINANCIAL DEBT	**(1.347)**	**(1.301)**	(46)

Net financial debt came to a negative EUR 1.347, a decrease of EUR 46 million compared to 31 December 2015.

Net short-term debt decreased by EUR 46 million to a negative EUR 1.347 million mainly attributable to:

- the increase in cash and cash equivalents of the Company (EUR 131 million);
- the decrease in intercompany current account with Enel SpA due the participation in the acquiring of the 50% of Enel Insurance (EUR 85 milion);

Cash flows

Millions of euro

	2016	2015
Cash and cash equivalents at the beginning of the period [1]	**1.301**	**1.198**
Cash flows from operating activities (a)	39	92
Cash flows from (investing)/disinvesting activities (b)	7	-
Cash flows from financing activities (c)	-	11
Effect of exchange rate changes on cash and cash equivalents (d)	-	-
Increase/(Decrease) in cash and cash equivalents (a+b+c+d)	**46**	**103**
Cash and cash equivalents at the end of the period [1]	**1.347**	**1.301**

In 2016 cash and cash equivalents rose by EUR 46 million to EUR 2.470 million.

Cash flows from operating activities amounted to EUR 39 million, down to EUR 53 million compared to the previous year.

Net cash disbursement from investing/disinvesting activities amounted to EUR 7 million, up EUR 7 million compared to the previous year.

Cash flows from financing activities amounted to EUR nil million as net result between repayment and new founding.

Main risks and uncertainties

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

Methodology

In order to mitigate its exposure to risks described below, the Company conducts specific analysis, monitoring, management and control activities.

The Company adopts governance arrangements been in place within the Enel Group and applicable for all companies with controlling interest for managing and controlling financial risks (market, credit and liquidity risks).

Current or planned improvements in the risk management system

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

Appetite for significant risks

The Company is willing to bear risks that are assessed as moderate or low after mitigation.

The Company’s operations and earnings are subject to following risks (although not limited to).

The control measures are subsequently defined for each identified risk.

Business risks

The energy markets in which the Company operates are currently undergoing gradual liberalization, which is being implemented using different approaches and timetables from country to country.

As a result of these processes, the Company is exposed to increasing competition from new entrants and the development of organized markets.

The business risks generated by the natural participation of the Company in such markets have been addressed by integration along the value chain, with a greater drive for technological innovation, diversification and geographical expansion. More specifically, the initiatives taken have increased the customer base in the free market, with the aim of integrating downstream into final markets, optimizing the generation mix, improving the competitiveness of plants through cost leadership, seeking out new high-potential markets and developing renewable energy resources with appropriate investment plans in a variety of countries.

The Company often operates in regulated markets, and changes in the rules governing operations in such markets, and the associated instructions and requirements with which the Group must comply, can impact our operations and performance.

In order to mitigate the risks that such factors can engender, the Enel Group has forged closer relationships with local government and regulatory bodies, adopting a transparent, collaborative and proactive approach in tackling and eliminating sources of instability in regulatory arrangements.

The economic and financial condition of each market are constantly monitored and proper measures are promptly taken.

Moreover, in order to limit the risk of interruptions in fuel supplies, the Company has diversified fuel sources, using suppliers from different geographical areas and encouraging the construction of transportation and storage infrastructure.

Breakdowns or accidents that temporarily interrupt operations plants represent an additional risk associated with the Company's business. In order to mitigate such risks, the Company adopts a range of prevention and protection strategies, including preventive and predictive maintenance techniques and technology surveys to identify and control risks, and implement international best practices.

	Risk component	Source of risk	Risk control	Risk appetite	Risk mitigation	Impact of Company results after Risk mitigation
Business risk	**country risks**	Presence in countries with political, financial, social or economic instability	regular analysis	high	The Company is present in different contruies with different specific risks	medium
	regulatory risks	- revenues - gradual liberalization - enviromental regulation	regulatory strategy	high	- The Company is present in different contruies with different regulatory framework - increase customer base in free market - optimazing generation mix	medium
	market risk	- fuel costs - energy price - equipment and maintanence	regular analysis	medium	- diversified fuel supplies - incouraging construction of transportation and storage infrasctructures - underwriting of guarantees	low
	business interruption	breakdowns or accidents on generation and distribution assets	preventive and predictive maintenance techniques, technology surveys and implementation of best practices	medium	- maintenance program - investment program - insurance	low

Financial risks

In its commercial and financial activities, the Company is exposed to the risk that its counterparties might not be able to discharge all or part of their obligations, whether these involve payment for goods already delivered and services rendered.

In order to minimize such risks, the Company assesses the creditworthiness of the counterparties to which it plans to maintain its largest exposures on the basis of information supplied by independent providers and internal rating models.

This process makes it possible to set exposure limits for each counterparty, the appropriate guarantees required for exposures exceeding such limits and periodic monitoring of the exposures.

For certain segments of its customer portfolio, the Company also enters into insurance contracts with leading credit insurance companies.

Liquidity risk is managed under policies of the Group Treasury Unit at Enel SpA., which ensures adequate coverage of cash needs and appropriate management of liquidity. Furthermore, the Company the excess of liquidity has been managed entering in a short-term deposit with Enel Finance International NV for a total amount of EUR 1.344 million.

As above mentioned in October 4th the bond issued by the Company has been officially and legally transferred to Enel Finance International NV therefore there are no impact on the Company liquidity risk.

Enel Investment Holding B.V. and its subsidiaries are exposed to exchange rate risk associated with cash flows related to the purchase or sale of fuel or electricity on international markets, cash flows in respect of investments or other items in foreign currency and debt denominated in currencies other than the functional currency of the respective countries.

The main exchange rate exposure of the Company relates to the Russian ruble and Romanian leu. During the year, management of exchange rate risk was pursued through compliance with Enel Group's risk management policies, with no difficulties encountered in accessing the derivatives market.

Interest rate risk management is aimed at balancing the structure of the debt, reducing the amount of debt exposed to interest rate fluctuations and minimizing borrowing costs over time, limiting the volatility of results.

Enel Investment Holding B.V. and its subsidiaries are involved in the management policies implemented by the Parent Company Enel SpA. to optimize the Group's overall financial position, ensure the optimal allocation of financial resources and control financial risks.

With regard to both exchange rate risk and interest rate risk, all financial derivatives entered into by the Company are intended for hedging and not for trading purposes.

	Risk component	Source of risk	Risk control	Risk appetite	Risk mitigation	Impact of Company results after Risk mitigation
Financial risks	**credit risk**	- trade receivables - deposits	- eligibility criteria - trade receivable management - regular analysis of overdue receivables	low	- Enel Finance International as primary place to deposit liquidity - high credit rating; - collector agencies; - insurance contracts.	very low
	liquidity risk	- different maturity of funding and lending facilities - liquidity surplus	- monthly analysis of funding-lending cash flows	medium	- available credit lines; - sufficient level of available cash and cash equivalents; - letter guarantee by Enel SpA	very low
	exchange rate	dividend flows	hedge policies	low	hedge strategy	very low, risk exposure mosty fully covered
		floating not local currency facilities	hedge policies	low	hedge strategy	very low, risk exposure mosty fully covered
	interest rate	floating rate facilities	hedge policies	medium	hedge strategy	very low, risk exposure mosty fully covered

Compliance risks

The Company is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies. Identified breaches of compliance will be remedied as soon as practicable. The Company has no appetite for deliberate or purposeful violations of legislative or regulatory requirements, moreover the Company adopt a strong and effective internal control system to avoid fraud and misleading representation on its financial reports.

Any residual risk is managed using specific insurance policies to protect corporate assets and provide liability coverage in the event of harm caused to third parties by accidents, including pollution that may occur during the production and distribution of electricity.

	Risk component	Source of risk	Risk control	Risk appetite	Risk mitigation	Impact of Company results after Risk mitigation
compliance risks	**compliance with current legislation and Enel Group procedures**	internal governance and busiess processes	internal control system	nill	permanent improvement of internal control system	nill
	fiscal	tax accruals	internal control system	very low	- regular reconciliations with Tax Authorities; - preliminary analysis of significant changes	very low
	enviromental risks	generation business	regular monitoring	medium	- investment program - insurance policies - ongoing implementation of "enviroment friendly" technologies	low

Outlook

The Company will continue to hold the majority of the foreign subsidiaries of the Enel Group (excluding Endesa, Slovenske Elektrarne and the Renewable energy companies) operating in the traditional power sources field. It will also continue to strongly support Enel Group in its presence in the international market.

The Group will focus on the further consolidation and integration of its various parts, with the aim to create value by leveraging the professionalism, skills and synergies it possesses, without neglecting the search for new opportunities in technological innovation and in organic growth in the areas and businesses in which it operates.

At the same time, the portfolio optimization efforts designed to reinforce the Company's financial position, which has been considerably affected by the international expansion policy pursued in recent years, will continue.

Research and Development

The Company does not perform any direct research and development activities. These are performed by the operating entities, such as the subsidiaries and other Enel Group's Companies.

Personnel

As of 31 December 2016, the Company employed six staff members.

Statement of the Board of Directors

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

To our knowledge,

- the financial statements give a true and fair view of the assets, liabilities, financial position and result of Enel Investment Holding BV;
- the Director's report gives a true and fair view of the Company's position as per 31 December 2016 and the developments during the financial year 2016 of Enel Investment Holding BV;
- the Director's report describes the principal risks the Company is facing.

This annual report is prepared according to International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and with Part 9 of Book 2 of the Dutch Civil Code, and externally fully audited by the Ernst & Young Accountants LLP.

Amsterdam, 5 May 2017

The Board of Directors:

A. Canta
C. Palasciano
G. Pescini
A.J.M. Nieuwenhuizen
H. Marseille
E. Di Giacomo

Enel Investment Holding B.V.

Non-consolidated financial statements for the year ended 31 December 2016

Enel Investment Holding B.V. non-consolidated income statement for the year ended 31 December 2016

Prepared in accordance with the IFRS as adopted by the European Union

Millions of euro	Notes		
		2016	2015
Revenues			
Revenues from sales and services	*4.a*	2	2
Other income	*4.b*	14	-
	(Subtotal)	**16**	**2**
Costs			
Services	*5.a*	8	8
Personnel	*5.b*	1	1
Depreciation, amortization and impairment losses	*5.c*	(58)	519
Other operating expenses	*5.d*	(76)	-
	(Subtotal)	**(125)**	**528**
Operating Income		**141**	**(526)**
Income/(loss) from equity investments	*6*	16	119
Financial Income	*7*	16	26
Financial expense	*7*	(13)	(21)
	(Subtotal)	19	124
Income/(Loss) before taxes		**160**	**(402)**
Income Taxes		**-**	(1)
NET INCOME FOR THE PERIOD (attributable to the shareholder)		**160**	**(403)**

Enel Investment Holding B.V. non-consolidated statement of comprehensive income for the year ended 31 December 2016

Prepared in accordance with the IFRS as adopted by the European Union

Millions of euro

	2016	2015
Net income / (loss) for the period	**160**	**(403)**
Other comprehensive income recyclable to profit or loss:		
Effective portion of change in the fair value of cash flow hedges	-	-
Change in the fair value of financial investments available for sale	(37)	25
Income/(Loss) recognized directly in equity	**(37)**	**25**
Comprehensive income for the period	**123**	**(378)**
Attributable to:		
- Equity shareholder of the Company	**123**	**(378)**

Enel Investment Holding B.V. non-consolidated statement of financial position as at 31 December 2016

Prepared in accordance with the IFRS as adopted by the European Union

Millions of euro	*Notes*		
ASSETS		**31 Dec. 2016**	31 Dec. 2015
Non-current assets			
Equity investments in subsidiaries and associated companies	*8*	2.175	2.491
Equity investments available for sale	*9*	140	176
Other non-current financial assets	*10*	-	297
	(Total)	**2.315**	**2.964**
Current assets			
Current financial assets	*11*	3	91
Other current assets	*12*	2	32
Cash and cash equivalents	*14*	1.345	1.214
Receivables for income taxes	*15*	8	-
	(Total)	**1.358**	**1.337**
TOTAL ASSETS		**3.673**	**4.301**

Enel Investment Holding B.V. non-consolidated statement of financial position as at 31 December 2016

Prepared in accordance with the IFRS as adopted by the European Union

Millions of euro	*Notes*		
LIABILITIES AND SHAREHOLDER'S EQUITY		**31 Dec. 2016**	31 Dec. 2015
Equity attributable to the shareholder of the Parent Company	*15*		
Share capital		1.593	1.593
Share premium		2.410	2.410
Fair value reserve - Available for sale		99	136
Retained earnings (losses carried forward)		(1.002)	(599)
Net income for the period		160	(403)
TOTAL SHAREHOLDER'S EQUITY		**3.260**	**3.137**
Non-current liabilities			
Long-term loans	*16*	-	298
Provisions for risks and charges	*17*	-	79
	(Total)	**-**	**377**
Current liabilities			
Current financial liabilities	*18*	-	5
Other current liabilities	*19*	413	782
	(Total)	**413**	**787**
TOTAL LIABILITIES		**413**	**1.164**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**3.673**	**4.301**

Enel Investment Holding B.V. non-consolidated statement of changes in shareholder's equity for the year ended as at 31 December 2016

Prepared in accordance with the IFRS as adopted by the European Union

Millions of euro	Share capital	Share premium reserve	Available-for-sale reserve [1]	Retained earnings/(losses carried forward)	Net income for the period	**Total shareholder's equity**
at 1 January 2015	**1.593**	**2.410**	**111**	**(15)**	**(584)**	**3.515**
Profit appropriation	-	-	-	(584)	584	-
Share Premium contribution	-	-	-	-	-	-
Comprehensive income for the period of which:						
- Net income/(loss) for the period recognized in equity	-	-	25	-	-	25
- Net income/(loss) for the period	-	-	-		(403)	(403)
at 31 December 2015	**1.593**	**2.410**	**136**	**(599)**	**(403)**	**3.137**
Profit appropriation	-	-	-	(403)	403	-
Share Premium contribution	-	-	-	-	-	-
Comprehensive income for the period of which:						
- Net income/(loss) for the period recognized in equity	-	-	(37)	-	-	(37)
- Net income/(loss) for the period	-	-	-		160	160
at 31 December 2016	**1.593**	**2.410**	**99**	**(1.002)**	**160**	**3.260**

[1] This reserve is not freely distributable

Enel Investment Holding B.V. non-consolidated cash flows statement for the year ended 31 December 2016

Prepared in accordance with the IFRS as adopted by the European Union

Millions of euro

	2016	2015
Income for the period	**160**	**(403)**
Adjustments for:		
Financial (income)/expense	(19)	(124)
(Gains)/Losses and other non-monetary items	(71)	520
Increase/(Decrease) in financial and non-financial assets/liablilities	(8)	-
Increase/(Decrease) in trade payables	7	2
(Increase)/Decrease in trade receivables	30	(27)
Dividends received	16	119
Interest income and other financial income collected	16	22
Interest expense and other financial expense paid	(13)	(17)
Movement in provisions	(79)	-
Cash flows from operating activities (a)	**39**	**92**
Equity investments net of cash and cash equivalents acquired	(114)	-
Disposals of equities less cash and cash equivalents sold	121	-
Capital repayments/(contributions)	-	-
(Increase)/decrease in other investing activities	-	-
Cash flows from investing/divesting activities (b)	**7**	**-**
Financial debt (new borrowings/(deposits))	-	-
Financial debt (repayments)	-	11
Cash flows from financing activities (c)	**-**	**11**
Increase/(Decrease) in cash and cash equivalents (a+b+c)	**46**	**103**
Cash and cash equivalents at beginning of the period	1.301	1.198
Cash and cash equivalents at the end of the period	1.347	1.301

Notes to the Enel Investment Holding B.V. non-consolidated financial statements as of 31 December 2016

1. Form and content of the non-consolidated financial statements

Relationship with Parent Company and principal activities

Enel Investment Holding B.V. (hereinafter: the "Company") is a private limited liability Company, where 100% of the shares are held by Enel S.p.A., the ultimate Parent Company, which has its registered office in Rome (Italy).

Enel Investment Holding B.V., which has its registered office at Herengracht 471 in Amsterdam, the Netherlands, was incorporated on 15 December 2000 under Dutch Law.

The purpose of the Company is to carry on activities and to invest directly or indirectly in companies or ventures that conduct their business:

- in the electricity industry, including all the activities of production, distribution and sale, as well as transmission;
- in the energy industry in general, including fuels, and in the field of environmental protection, as well as the water sector;
- in the communications, information-technology industries and the multimedia and interactive services industries;
- in network-based sectors (electricity, water, gas, district heating, telecommunications) and in those which, in any case, provide urban services;
- in other sectors in any way related or connected with the activities carried out in the sectors mentioned above.

Going concern

On 14 February 2017 Enel SpA, the Parent Company, issued a letter of support as of 31 December 2016 guaranteeing its continuous financial support to meet the Company's liabilities until next year financial statement approval.

Statement of compliance

These non-consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). The non-consolidated financial statements also comply with the requirements of Book 2 Title 9 of the Dutch Civil Code.

These non-consolidated financial statements were approved by the Board of Directors.

Basis of preparation

These non-consolidated financial statements consist of the non-consolidated income statement, the non-consolidated statement of other comprehensive income, the non-consolidated financial position, the non-consolidated statement of changes in shareholder's equity, the cash flows statement and the related notes.

The non-consolidated income statement is classified on the basis of the nature of costs, while the indirect method is used for the cash flow statement.

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

Non-current assets (or disposal groups) whose carrying amount will be mainly recovered through sale, rather than through on-going use, are classified as held for sale and shown separately from other balance sheet assets and liabilities.

The non-consolidated financial statements have been prepared on the historical cost basis, with the exception of items that are measured at fair value, as specified in the measurement policies for the individual items, which is the following:

- available-for-sale financial assets;

Functional and presentation currency

All financial information is presented in millions of Euro unless stated otherwise.

2. Accounting policy and measurement criteria

The following IFRS accounting principle (IAS 27) has been used only in drawing up Enel Investment Holding B.V. non-consolidated financial statements as of 31 December 2016 for evaluating the equity investments in subsidiaries, associated and joint ventures:

"Subsidiaries comprise those entities for which the Company has the direct or indirect power to determine their financial and operating policies for the purposes of obtaining the benefits of their activities. Associated companies comprise those entities in which the Company has a significant influence. Joint ventures are enterprises in which the Company exercises joint control with other entities. In assessing the existence of a situation of control, significant influence and joint control, account is also taken of potential voting rights that are effectively exercisable or convertible. These equity investments are measured at cost. The cost can also include as additional charge any put option granted to former shareholders of an acquired entity when the Company is obliged to acquire additional stakes of the entity. Put options are valued at each balance sheet date at their fair value and their subsequent re-measurements are recognized against the equity investment previously recorded. Cost is adjusted for any impairment losses. Adjustments for impairment losses are reversed where the reasons for their recognition no longer apply. The reversal may not exceed the original cost."

Use of estimates

Preparing the financial statements under IFRS-EU requires management to make judgments and use estimates and assumptions that impact the application of accounting policies, the carrying amount of assets and liabilities and the related information on the items involved as well as the disclosure required for contingent assets and liabilities at the balance sheet date. The estimates and the related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates are used to recognize provisions for doubtful accounts, depreciation and amortization, impairment losses, liabilities in respect of employee benefits, taxes and other provisions. The estimates and assumptions are periodically revised and the effects of any changes are reflected in the income statement if they only involve that period. If the revision involves both the current and future periods, the change is recognized in the period in which the revision is made and in the related future periods.

A number of accounting policies are felt to be especially important for understanding the financial statements. To this end, the following section examines the main items affected by the use of estimates, as well as the main assumptions used by management in measuring these items in compliance with the IFRS-EU. The critical element of such estimates is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

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

Recently issued accounting standards

New accounting standards applied in 2016

The Enel Group has applied the following interpretation and amendments that took effect as from January 1, 2016:

- "Amendments to IAS 1: *Disclosure Initiative"*, issued in December 2014. The amendments, as a part of IASB's major initiative to improve presentation and disclosure in financial statements, include improvements in the following areas:
  - materiality: it has been made clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosure;
  - disaggregation and subtotals: it has been clarified that the specific line items of the income statement, statement of comprehensive income and balance sheet may be disaggregated. New requirements regarding the use of subtotals are introduced;
  - notes structure: it has been clarified that companies have flexibility about the order in which they present the notes to the financial statements. It has been also emphasised that understandability and comparability should be considered by a company when deciding on that order;
  - equity accounted investments: the share of OCI of associates and joint ventures accounted for using the equity method shall be split between those items that will and will not be subsequently reclassified to profit or loss and presented in aggregate as single line items within those two sections of the statement of comprehensive income.
- "Amendments to IAS 27 – *Equity method in separate financial statements*" issued in August 2014. The amendments allow the use of the equity method in separate financial statements for the accounting of investments in subsidiaries, joint ventures and associates. The amendments also clarify some aspects regarding the so-called investment entity; in particular it was clarified that when a company ceases to be an investment entity, it shall account for an investment in a subsidiary in accordance with IAS 27. Otherwise when an entity becomes an investment entity, it shall account for an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9.
- "Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities: Applying the consolidation exception"*, issued in December 2014. The amendments clarify that so long as the entity's ultimate (or intermediate) parent produces financial statements that are in compliance with IFRS 10 (including an investment entity that accounts for its interests in all of its subsidiaries at fair value rather than consolidating them), the exemption from presenting consolidated financial statements continues to apply to subsidiaries of an investment entity that are themselves parent entities. The amendments also clarify that an investment entity parent shall consolidate a subsidiary that provides investment-related services or activities that relate to its investment activities, if that subsidiary is not itself an investment entity. Furthermore the amendments simplify the application of the equity method for an entity that is not itself an investment entity but that has an interest in an associate or joint venture that is an investment entity. In particular, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

- "Amendments to IAS 16 and IAS 38 – *Clarification of acceptable methods of depreciation and amortisation"*, issued in May 2014. The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. The requirements of IAS 16 are amended to explicitly prohibit revenue-based depreciation. Coherently the requirements of IAS 38 are amended to introduce a rebuttable presumption that a revenue-based amortisation is inappropriate. However, there are limited circumstances when the presumption can be overcome:
  - the intangible asset is expressed as a measure of revenue;
  - it can be demonstrated that revenue and the consumption of economic benefits of intangible asset are highly correlated.

- " "Annual improvements to IFRSs 2010 – 2012 cycle", issued in December 2013; the document contains formal modifications and clarifications of existing standards that did not have a significant impact in the financial statements. More specifically, the following standards were amended:
  - "IFRS 2 – Share-based payment"; the amendment separate the definitions of performance condition and service condition from the definition of vesting condition to make the description of each condition clearer.
  - "IAS 16 – Property, plant and equipment"; the amendment clarifies that when an item of property, plant and equipment is revaluated the gross carrying amount of that asset shall be adjusted in a manner consistent with the revaluation of the carrying amount of the asset. In addition, it also clarifies that the accumulated depreciation shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.
  - "IAS 24 – Related party disclosures"; the amendment clarified that a "management entity", namely an entity that provides key management personnel services to a reporting entity, is deemed to be a related party of the reporting entity. As a consequence, the reporting entity is required to disclose, in addition to the amount incurred for the service fee paid or payable to the "management entity", other transactions with the "management entity", for example, borrowings, under the existing disclosure requirements of IAS 24 with respect to related parties. The amendment also clarified that if an entity obtains key management personnel services from another entity the reporting entity is not required to apply the disclosures requirements concerning the compensation paid or payable by the "management entity" to the management entity's employees or directors.
  - "IAS 38 – Intangible assets"; the amendment clarifies that when an item of intangible asset is revaluated the gross carrying amount of that asset shall be adjusted in a manner consistent with the revaluation of the carrying amount of the asset. In addition, it also clarifies that the accumulated depreciation shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account cumulated impairment losses.

- "Annual improvements to IFRSs 2012 – 2014 cycle", issued in September 2014; the document contains formal modifications and clarifications of existing standards that did not have a significant impact in the financial statements. More specifically, the following standards were amended:
  - "IFRS 5 – Non-current assets held for sale and discontinued operations" ;the amendments clarify that changing from the classification of an asset (or disposal

group) as held for sale to the classification as held for distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5 and the date of classification doesn't change.

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

Forthcoming accounting standards

Below is a list of accounting standards, amendments and interpretations that will be effective for the Enel Group after December 31, 2016:

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

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

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

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

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

Financial assets at fair value through profit or loss (FVTPL) is now a residual category that comprises financial instruments that are not held under one of the two business models

indicated above, including those held for trading and those managed on the basis on the basis of their fair value.
As regards the classification and measurement of financial liabilities, IFRS 9 maintains the accounting treatment envisaged in IAS 39, making limited amendments, for which most of such liabilities are measured at amortized cost. It is still permitted to designate a financial liability as at fair value through profit or loss if certain requirements are met. The standard introduces new provisions for financial liabilities designated as fair value through profit or loss, under which in certain circumstances the portion of changes in fair value due to own credit risk shall be recognized through OCI rather than profit or loss. This part of the standard may be applied early, without having to apply the entire standard.
Since during the financial crisis the impairment approach based on "incurred credit losses" had displayed clear limitations connected with the deferral of the recognition of credit losses until the occurrence of a trigger event, the standard proposes a new model that gives users of financial statements more information on "expected credit losses".
In essence the model provides for:
a) the application of a single approach for all financial assets;
b) the recognition of expected credit losses on an ongoing basis and the updating of the amount of such losses at the end of each reporting period, with a view to reflecting changes in the credit risk of the financial instrument;
c) the measurement of expected losses on the basis of reasonable information, obtainable without undue cost, about past events, current conditions and forecasts of future conditions;
d) an improvement of disclosures on expected losses and credit risk.
IFRS 9 also introduces a new approach to hedge accounting, with the aim of aligning hedge accounting more closely with risk management, establishing a more principle-based approach.
The new hedge accounting approach will enable entities to reflect their risk management activities in the financial statements, extending the criteria for eligibility as hedged items to the risk components of non-financial elements, to net positions, to layer components and to aggregate exposures (i.e., a combination of a non-derivative exposure and a derivative). The most significant changes regarding hedging instruments compared with the hedge accounting approach used in IAS 39 involve the possibility of deferring the time value of an option, the forward element of forward contracts and currency basis spreads (i.e. "hedging costs") in OCI up until the time in which the hedged element impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall with a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.
Finally, IFRS 9 does not replace the provisions of IAS 39 concerning portfolio fair value hedge accounting for interest rate risk ("macro hedge accounting") as that phase of the IAS 39 replacement project has been separated and is still under discussion. In April 2014, the IASB published a Discussion Paper Accounting for Dynamic Risk management: a Portfolio Revaluation Approach to Macro Hedging.
In 2016 a transition project involving the three areas of application of the new standard was begun. The individual project areas address the following aspects:

a) “Classification and Measurement”: an assessment of the current procedures for classifying financial instruments compared with the new policies provided for under IFRS 9 (i.e. SPPI test and business model). In addition, the project activities also include the analysis of contracts that could be measured at fair value, as the contractual cash flows might not be composed solely of payments of principal and interest, and of minority interests in unlisted companies which under IAS 39 are subject to the cost exemption while under IFRS 9 they would be measured at fair value, in order to identify appropriate valuation models.
b) “Impairment”: analysis is under way of impaired financial assets, with a focus on trade receivables, which represent the majority of the Group’s credit exposure. More specifically, those receivables have been sub-divided into specific clusters, taking due account of the applicable legislative and regulatory framework. Depending on the case, appropriate impairment models are being analyzed in application of the loss-rate approach or the general expected credit losses model.
c) “Hedge Accounting”: work on implementing the new hedge accounting model is under way, including effectiveness testing and rebalancing hedge relationships and analysis of the new strategies that can be applied under IFRS 9.
At the current stage of analysis it is not possible to provide a reasonable estimate of the possible impact of the new standard.

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

IFRS 15 also provides for a series of notes to ensure complete disclosure concerning the nature, amount, timing and degree of uncertainty of the revenue and cash flows associated with contracts with customers.
The standard shall take effect, subject to endorsement, for periods beginning on or after January 1, 2018.

A project to identify the possible impact of the standard on the Group's consolidated financial statements. At the current stage of analysis, which is still under way, the most significant aspects that we feel will be affected by the new provisions of IFRS 15 regard: (i) contracts with multiple contractual obligations; (ii) contracts with variable consideration; (iii) contracts in which a third party is involved in supplying goods/services to customers; (iv) the capitalization of contract acquisition costs.
At the current stage of analysis it is not possible to provide a reasonable estimate of the possible impact of the new standard.

- "Clarification to IFRS 15 Revenue from contracts with customers", issued in April 2016, introduces amendments of the standard in order to clarify a number practical expedients and topics addressed by the Joint Transition Resource Group established by the IASB and the FASB. The aim of these amendments is to clarify a number of provisions of IFRS 15 without modifying the basic principles of the standard. The amendments shall take effect, subject to endorsement, for periods beginning on or after January 1, 2018;
- "IFRS 16 – *Leases*", issued in January 2016, that replaces the previous standard "IAS 17 – *Leases*" and related interpretations, sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). Even if IFRS 16 retains the definition of a lease of IAS 17, the main change relate to the concept of control used within the definition. In particular, IFRS 16 requires to assess whether the customer has or has not the right to control the use of an identified asset for a period of time to determine whether a contract contains or not a lease. IFRS 16 eliminates the classification between operating leases and finance leases, as provided by IAS 17 and, instead, introduces a single leases accounting model. Applying that model, a lessee is required to recognise:

  (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

  (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

  From the lessor's perspective, IFRS 16 substantially carries forward the accounting requirements of IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The standard will take effect, subject to endorsement, for annual period beginning on or after January,1 2019. The Group is assessing the potential impact of the future application of the new provisions.
- "Amendments to IAS 7: *Disclosure Initiative"*, issued in January 2016. The amendments apply to the liabilities and assets arising from financing activities, defined as those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as "cash flows from financing activities". The amendments require a disclosure of changes in these items, including changes arising from cash flows and non-cash changes (i.e. changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, and changes in fair values). One way suggested by IASB for a entity to fulfil the new disclosure requirements is to provide a reconciliation between its opening and closing balances for liabilities/assets arising from its financing activities. The amendments will take effect for annual periods beginning on or after January 1, 2017.

- "Amendments to IAS 12 - *Recognition of deferred tax assets for unrealised losses*", issued in January 2016; the amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. In particular these amendments clarify the requirements on the recognition of deferred tax assets for unrealised losses in order to address diversity in practice. The amendments will take effect, subject to endorsement, for annual period beginning on or after January,1 2017. Earlier application is permitted.
- "Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture", issued in September 2014. The amendments provide that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain (loss) recognised depends on whether the assets or subsidiary constitute a business, as defined in "IFRS 3 Business Combinations". In particular when the assets or subsidiary constitute a business, any gain (loss) is recognised in full; when the assets or subsidiary do not constitute a business, the gain (loss) is recognised only to the extent of the unrelated investors' interest in the associate or joint venture that was the counterparty of the transaction. EFRAG has recommended to the European Commission to postpone the endorsement process on these amendments until the IASB's project on Elimination of gains or losses arising from transactions between an entity and its associate or joint venture is completed.
- "Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions*", issued in June 2016. The amendments:
    - clarify that the fair value of a cash-settled share-based payment at the measuring date (i.e. when granted, at the end of each reporting period and at the date of settlement) is measured taking into account market conditions (e.g. target share price) and non-vesting conditions, ignoring instead service and non-market performance conditions;
    - clarify that share-based payment transactions with a net settlement feature for withholding tax obligations would be classified as equity-settled in its entirety (assuming they would have been so classified without the net settlement feature);
    - provide requirements on the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

  The amendments will take effect, subject to endorsement, for annual period beginning on or after January, 1 2018.
- "IFRIC 22 - Foreign currency transactions and advance consideration", issued in December 2016; the interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation will take effect, subject to endorsement, for annual period beginning on or after January, 1 2018.
- "Annual improvements to IFRSs 2014 – 2016 cycle", issued in December 2016; the document contains formal modifications and clarifications of existing standards that are

not expected to have a significant impact on the Group. More specifically, the following standards were amended:

- "IFRS 1 – First-time adoption of international financial reporting standards"; the amendments delete short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10. These transition provisions were available to entities for passed reporting period and are therefore no longer applicable. The changes are effective, subject to endorsement, for annual periods beginning on or after 1 January 2018.
- "IFRS 12 – Disclosure of interests in other entities"; the amendments clarified that the disclosures requirement of IFRS 12 are also applicable to interests in entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all others IFRS 12 requirements were applicable for these interests. The changes shall be applied retrospectively, subject to endorsement, for annual periods beginning on or after 1 January 2017.
- "IAS 28 – Investments in associates and joint ventures"; the amendments clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation (or a mutual fund, unit trust and similar entities including investment-linked insurance), is available for each investment in associate or joint venture on an investment-by-investment basis, upon initial recognition. Similar clarification have been made for reporting entity that is not an investment entity and that choose to retain the fair value measurement applied by its investment entity associate or joint venture when applying the equity method. The changes shall be applied retrospectively, subject to endorsement, for annual periods beginning on or after 1 January 2018.

3. Risk management

The Company could be exposed to the following risks arising from its activities:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements including all subsidiaries belonging to Enel Investment Holding BV scope of consolidation.

Credit risk

In its commercial and financial activities, the Company is exposed to the risk that its counterparties might not be able to discharge all or part of their obligations arising from payments for goods already delivered and services rendered as well as payments of the expected cash flows under financial derivatives contracts.

Enel Investment Holding B.V. manages credit risk by operating solely with counterparties considered solvent by the market, i.e. those with high credit standing, and does not have any concentration of credit risk.

Liquidity Risk

Liquidity risk is managed by the Group Treasury unit at Enel S.p.A., which ensures adequate coverage of cash needs (using lines of credit and issues of bonds and commercial paper) and appropriate management of any excess liquidity. Furthermore the excess liquidity is managed entering into short term deposits with Enel Finance International NV for a total amount of EUR 1.344 million.

Market risk

As part of its operations, the Company may be exposed to different market risks, notably the risk of changes in interest rates and exchange rates.

In order to contain this exposure within the limits set at the start of the year as part of its risk management policies, Enel S.p.A. may enter into derivative contracts, on behalf of the Company, using instruments available on the market.

Transactions that, in compliance with risk management policies, qualify for hedge accounting are designated as hedging transactions, while those that do not qualify for hedge accounting are classified as trading transactions.

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

The financial assets and liabilities associated with derivative instruments are classified as:

• cash flow hedges derivatives, mainly related to hedging the exchange rate risk in the cash flows associated with transactions in currencies other than euro;
• trading derivatives, related to hedging interest and exchange rate risk and commodity risk but which do not qualify for recognition under IAS 39 as hedges of specific assets, liabilities, commitments or future transactions as well as proprietary trading activities.

The notional value of a derivative is the contractual amount on the basis of which differences are exchanged. Amounts denominated in currencies other than the euro are converted into euro at the exchange rate prevailing at the balance-sheet date.

Interest rate risk

Interest rate risk management is designed to balance the structure of the debt, reducing the amount of debt exposed to interest rate fluctuations and minimizing borrowing costs over time, limiting the volatility of results. To this end, various types of derivatives are used, including interest rate swaps and interest rate collars.

All these contracts are agreed with a notional amount and expiry date lower than or equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or expected future cash flows is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position. Accordingly, the fair value of the financial derivatives generally reflects the estimated amount that Enel would have to pay or receive in order to terminate the contracts at the balance-sheet date.

As of 31 December 2016 there are no outstanding interest rate derivatives pertaining to the Company.

Exchange rate risk

Exchange rate risk is mainly generated with the following transaction categories:

• debt denominated in currencies other than the functional currency of the respective countries entered into by the holding company or the individual subsidiaries;
• cash flows regarding investments in foreign currency, dividends from unconsolidated foreign associates or the purchase or sale of equity investments.

In order to reduce the exchange rate risk on these exposures, Enel Group uses foreign exchange forward and option contracts in order to hedge cash flows in currencies other than the functional currencies of the various Group entities.

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or expected future cash flows of these contracts stemming from a potential appreciation or depreciation of the domestic currency against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

As of 31 December 2016 there are no outstanding exchange rate derivatives pertaining to the Company.

Capital management

The Board policy of the Company is to maintain a strong capital base for maintaining creditor and market confidence and sustaining the future development of the business. The Board of Directors monitors the return on capital, which the Group defines as total shareholders' equity and the level of dividends to ordinary shareholders.

The return of capital is calculated as a percentage of net income over the total equity, net of available-for-sale reserve excluded in this key performance indicator because Company's management has preferred to exclude those equity reserves which might be rather volatile over the periods:

Millions of euro

	31 Dec. 2016	31 Dec. 2015
Total Equity	3.260	3.137
Fair value reserve - Available for sale	99	136
Adjusted Equity	3.161	3.001
Net income	160	(403)
Return of capital (*)	**5%**	**- 13%**

*Key Performance Indicator determined on year basis

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

There were no changes in the approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Information on the non-consolidated income statement

Revenues

4.a Revenues from sales and services – *EUR 2 million*

Other income relates to the service fees recharged to other Enel Group Dutch companies according to contracts duly signed and agreed upon.

4.b Other income – *EUR 14 million*

The item includes the capital gain earned following the decrease of capital and reserves of Enel France on November 2016 (EUR 13 milion) and the compensation and legal expenses refunded by SAPE due the above mentioned Arbitral Tribunal decision.

Costs

5.a Services – *EUR 8 million*

The cost of services are in line with the previous year.

Millions of euro

	2016	2015	Change
Cost for services	4	4	-
Cost for development project of wich:			
- Third parties	1	1	-
- Intercompany	3	3	-
Total	**8**	**8**	**-**

5.b Personnel – *EUR 1 million*

As of 31 December 2016 the Company had seven directors and employed eight staff members for a total amount of EUR 1 million in salaries and social security compensations.

5.c Depreciation, amortization and impairment losses – *EUR (58) million*

Impairment losses in 2016 amount of negative EUR 58 million are referred to the reversal of impairment losses of the equity investments in Marcinelle due the selling price higher than the recovery value expected.

5.d Other operating expenses – *EUR (76) million*

The item is mostly related to the release of the provision for risk and charges due the final decision of the SAPE's claim of the international court of Paris as mentioned above.

6. Income/(loss) from equity investments – *EUR 16 million*

This item refers to dividends resolved by the subsidiaries of the Company as detailed below:

Millions of euro

	2016	2015	Change
Res Holdings BV		36	(36)
Marcinelle		35	- 35
Enel Russia		26	- 26
Enel Distributie Banat	8	10	- 2
Enel Energie	2	7	- 5
Enel Distributie Drobogea	6	5	1
Total	**16**	**119**	**- 103**

7. Financial income/(expense) – *EUR 3 million*

Millions of euro

	2016	2015	Change
Interest and other income from non-current financial assets:			
- Assumption of GMTN bond - Enel Finance International NV	12	16	(4)
Interest and other income from current financial assets:			
- Enel Finance International NV	2	3	(1)
- other financial receivables	2	2	-
Foreign exchange gains			
- on other	-	5	(5)
Total financial income	**16**	**26**	**(10)**
Interest and other charges on non-current financial debt:			
- Interest on GMTN bonds	12	16	(4)
Interest and other charges on current financial debt:			
- Intercompany current account - Enel S.p.A	1	1	-
Foreign exchange losses:			
- on other	-	4	(4)
Total financial charges	**13**	**21**	**(8)**
Total	**3**	**5**	**(2)**

Financial income (expenses) amount to EUR 3 million with a net decrease of EUR 2 milion in 2016 mainly due to the net results of foreign exchange gains and losses and other financial receivables.

Information on the non-consolidated financial position

Assets

Non-current assets

8. Equity investments – *EUR 2.175 million*

The following table shows the changes occurred in 2016 for each equity investment held by the Company in subsidiaries and associate companies.

Millions of euro	Original cost	(Write downs)/ revaluations	Carrying amount	% Holding	Impairment	Recover of impairment	Other changes	Acquisitions/disposals	Capital contributions/reimbursement	Reclassified from held for sale	Net change	Original cost	(Write downs)/ revaluations	Reclassified to held for sale	Carrying amount	% Holding
	31 Dec. 2015				**Changes in 2016**							**31 Dec. 2016**				
A) Subsidiaries																
Marcinelle Energie SA	157,6	(140,0)	**17,6**	100,0%	-	*57,8*	-	*(75,4)*	-	-	(17,6)	157,6	(157,6)	-	**-**	0,0%
Enelco S.A.	27,4	(26,0)	**1,4**	75,0%	-	-	-	-	-	-	-	27,4	(26,0)	-	**1,4**	75,0%
Enel France SAS	34,9	-	**34,9**	100,0%	-	-	-	*(34,9)*	-	-	(34,9)	34,9	(34,9)	-	**-**	0,0%
Enel Russia	2.497,4	(2.289,0)	**208,4**	56,4%	-	-	-	-	-	-	-	2.497,4	(2.289,0)	-	**208,4**	56,4%
Enel Gas Rus LLC	9,1	(5,0)	**4,1**	100,0%		-	-	-	-	-	-	9,1	(5,0)	-	**4,1**	100,0%
Enel Productie SRL (GPI)	6,6	(6,4)	**0,2**	100,0%	-	-	-	-	-	-	-	6,6	(6,4)	-	**0,2**	100,0%
Enel Romania SRL	0,1	-	**0,1**	99,9%	-	-	-	-	-	-	-	0,1	-	-	**0,1**	99,9%
Enel Distributie Muntenia S.A.	1399,7	-	**1.399,7**	64,4%	-	-	*(308,0)*	-	-	-	*(308,0)*	1399,7	(308,0)	-	**1.091,7**	64,4%
Enel Energie Muntenia S.A.	247,0	-	**247,0**	64,4%	-	-	*(69,0)*	-	-	-	*(69,0)*	247,0	(69,0)	-	**178,0**	64,4%
Enel Distributie Dobrogea S.A.	160,0	-	**160,0**	51,0%	-	-	-	-	-	-	-	160,0	-	-	**160,0**	51,0%
Enel Distributie Banat S.A.	220,0	-	**220,0**	51,0%	-	-	-	-	-	-	-	220,0	-	-	**220,0**	51,0%
Enel Energie S.A.	80,0	-	**80,0**	51,0%	-	-	-	-	-	-	-	80,0	-	-	**80,0**	51,0%
Braila Power	0,1	-	**0,1**	29,9%	-	-	-	-	-	-	-	0,1	-	-	**0,1**	29,9%
Enel Insurance NV	77,8	-	**77,8**	50,0%	-	-	-	*113,6*	-	-	113,60	77,8	113,6	-	**191,4**	100,0%
Total subsidiaries	**4.917,9**	**(2.466,4)**	**2.451,5**		**-**	**57,8**	**(377,0)**	**3,3**	**-**	**-**	**(315,9)**	**4.917,9**	**(2.782,3)**	**-**	**2.135,9**	
B) Associated companies																
Res Holdings B.V. (49,5%)	84,1	- 44,80	**39,3**	49,5%	-	–	–	–	–	–	-	84,1	(44,8)	-	**39,3**	49,5%
Total associated companies	**84,1**	**- 44,80**	**39,3**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**84,1**	**(44,8)**	**-**	**39,3**	
Total	**5.002,0**	**(2.511,2)**	**2.490,8**		**-**	**-**	**(377,0)**	**3,3**	**-**	**-**	**(315,9)**	**5.002,0**	**(2.827,1)**	**-**	**2.175,2**	

The following table lists equity investments in subsidiaries, associates and joint ventures as at 31 December 2016:

	Currency	Share capital Entity Currency	Shareholders'equity	2016 Net income/(loss)	% holding	Carrying amount
				Millions of euro		
A) Subsidiaries						
Enelco S.A.	EUR	60.109	15,8	-	75,0	1,4
Enel Russia	RUB	35.371.898.370	2.078,1	58,5	56,4	208,4
Enel Gas Rus LLC	RUB	350.000	3,2	-	100,0	4,1
Enel Productie Srl	RON	20.210.200	0,2	-	100,0	0,2
Enel Romania Srl	RON	200.000	1,1	0,9	99,9	0,1
Enel Distributie Muntenia S.A.	RON	271.635.250	977,4	50,0	64,4	1.399,7
Enel Energie Muntenia S.A.	RON	37.004.350	151,0	6,3	64,4	247,0
Enel Distributie Dobrogea S.A.	RON	280.285.560	303,7	26,1	51,0	160,0
Enel Distributie Banat S.A.	RON	382.158.580	425,9	34,2	51,0	220,0
Enel Energie S.A.	RON	140.000.000	94,9	9,0	51,0	80,0
Enel Insurance N.V.	EUR	60.000	166,2	65,1	100,0	191,4
B) Associated companies						
Res Holdings B.V.	EUR	18.000	0,2	-	49,5	39,3

8.a Investments in subsidiaries

Enelco

This Greek company, established by Enel SpA in November 2006, was engaged in the construction of a combined cycle gas plant of 430 Mw at Livadia in Central Greece.

On 16 April 2012 a share capital decrease from EUR 7,16 million to EUR 60.109 has been approved becoming effective in September 2012 and resulting in a repayment of EUR 5,3 million from Enelco to the Company.

Enel France

The company, having its registered office in France, operates primarily as electricity trader in France buying electricity from Electricitè de France (EdF) and from the market.

In December 2012 Enel Group has notified the exercise of its exit right on its participation in the project in EPR (European Pressurized Reactor) nuclear power plant project in Flamanville, as well as in other five power plants in France, thus terminating the Strategic Partnership Agreement the two companies agreed upon in November 2007.

In December 2016 the company has been sold.

Enel Russia (formerly Enel OGK-5)

Established in 2004 as part of the industry reform, Enel Russia is one of six thermal wholesale generation companies in Russia, with assets strategically located in some of the most developed and fastest growing regions of the country.

Enel Rus Wind Generation (formerly Enel Gas Rus)

Enel Rus Llc. was incorporated by the Company in February 2008 to support the integration of Enel's partly-owned companies and future subsidiaries in Russia. On 15 April 2016 the Enel Gas Rus Llc ordinary general meeting approved the change of the name into Enel Rus Wind Generation Llc.

Enel Romania

Enel Romania Srl, wholly owned by the Company, provides management services for all other companies within Enel Group located in Romania.

Enel Productie

Enel Productie, established in March 2008, is responsible for the construction of a coal power plant in the free Trade Zone of the city of Galati, under the terms of the Cooperation Agreement signed with Global International 2000 and Romelectro.

In September 2013 the Company resolved in an equity contribution divided into a share capital increase for LEI 0,1 million (EUR 22.497) and a share premium increase for LEI 2,6 million (EUR 584.927), bringing the equity investment in the company to EUR 6,6 million as of 31 December 2014. In December 2013, the Board of Directors of the Company resolved the exit of Galati project and the relative write-off of the assets.

Enel Distributie Dobrogea

Enel Distributie Dobrogea S.A., held by the Company at 51%, distributes electricity in the eastern Romanian counties of Constanta, Tulcea, Calarasi and Ialomita.

Enel Distributie Banat

Enel Distributie Banat S.A., held by the company at 51%, distributes electricity in the eastern Romanian counties of Timisoara, Arad, Hunedoara and Caras-Serverin.

Enel Energie

Enel Energie S.A., held by the Company at 51%, supplies electricity to captive consumers, whose place of consumption is in the locations determined by the distribution licenses of Enel Distributie Dobrogea S.A. and Enel Distributie Banat S.A.; it also supplies electricity to free market customers.

Enel Distributie Muntenia

This subsidiary, based in Romania, is owned by the Company for 64,4% and performs the distribution of electricity in Bucharest, Ilfov and Giurgiu counties.

In December 2009 Enel S.p.A. contributed 64,43% to the Company of its shares in the Romanian company Enel Distributie Muntenia S.A. as a voluntary non-cash share premium contribution for EUR 738 million.

Following the contribution of shares, Enel S.p.A. also transferred to the Company all rights and obligations included in the Privatization Agreement signed by and between Enel S.p.A. and the Romanian company Electrica S.A. on 11 June 2007. Under the Privatization Agreement Electrica S.A. has the right to ask the Company to purchase a further 23,57% of the shares in Enel Distributie Muntenia S.A. Total debt associated with the exercise of the put option amounts to EUR 661 million as at December 31 2015.

Following the settlement of the put option on the arbitration award on the 13.6% of the shares of Enel Distributie Muntenia and the simultaneous loss of the tag along right exists on a further 10% stake the new value of the exercise of the put option amounts to EUR 353 million as at December 31, 2016.

Enel Energie Muntenia

This subsidiary, based in Romania, is owned by the Company for 64,4% and supplies electricity to both regulated and free market consumers whose place of consumption is in the location determined by Enel Distributie Muntenia S.A.'s distribution license.

In December 2009 Enel S.p.A. contributed 64,43% to the Company of its shares in the Romanian company Enel Distributie Muntenia S.A. as a voluntary non-cash share premium contribution for EUR 130 million.

Following the contribution of shares, Enel S.p.A. also transferred to the Company all rights and obligations included in the Privatization Agreement signed by and between Enel S.p.A. and the Romanian company Electrica S.A. on 11 June 2007. Under the Privatization Agreement Electrica S.A. has the right to ask the Company to purchase a further 23,57% of the shares in Enel Energie Muntenia S.A. Total debt associated with the exercise of the put option amounts to EUR 117 million as at December 31 2015.

Following the settlement of the put option on the arbitration award on the 13.6% of the shares of Enel Energie Muntenia and the simultaneous loss of the tag along right exists on a further 10% stake the new value of the exercise of the put option amounts to EUR 48 million as at December 31, 2016.

Marcinelle Energie

Marcinelle Energie S.A. was incorporated for the construction of a CCGT power plant in the Wallonia region Marcinelle (Belgium). In June 2008 the Company acquired 80% of the corporate capital of the Belgian special purpose company Marcinelle Energie S.A. for EUR 37 million. During 2010 the Company recapitalized Marcinelle Energie S.A. by EUR 86 million by converting an existing financial receivable into a new equity investment increase.

In November 2016 the company has been sold.

Enel Insurance

In order to reorganize the reinsurance business activities within the Enel Group as carried out by the Company's former subsidiary Enel. Re. Ltd and Compostilla Re SA (wholly owned by Endesa S.A.) in August 2011 the Company established a new wholly owned company named Enel.Re N.V. under the laws of the Netherlands with an initial share capital of EUR 50 thousand. Subsequently 50% of the shares issued were sold and transferred to Endesa S.A. for a value of EUR 25 thousands.

Furthermore, in November 2011, both the shareholders of Enel.re NV, Enel Investment Holding BV and Endesa SA, contributed their entire stakes in Enel.Re Ltd and in Compostilla Re SA to Enel.Re N.V.

On 28 June 2012 Enel.Re N.V. was renamed Enel Insurance N.V.

In May 24 the Company purchased the remaining 50% of Enel Insurance shares. Starting from the end of May Enel Insurance is wholly owned by the Company.

8.b Associated companies

Res Holdings

In June 2006 the Company bought 49,5% of the shares in Res Holding B.V., a company existing under the laws of the Netherlands which owns 100% of the shares in the Russian electricity trading company, Rusenergosbyt Llc.

9. Equity investments available-for-sale – *EUR 140 million*

The following table lists equity investment classified as available for sale at 31 December 2016 and 31 December 2015.

Millions of euro

	31 Dec. 2016					31 Dec. 2015				
Name	Cost Price	Results recognized in equity	Accumulated Impairment	Fair Value	% Held	Cost Price	Results recognized in equity	Accumulated Impairment	Fair Value	% Held
Echelon	20	(20)	-	1	7,9	20	(18)	-	2	7,9
PT Bayan Resources	138	119	(118)	139	10	138	154	(118)	174	10
Total	**158**	**99**	**(118)**	**140**		**158**	**136**	**(118)**	**176**	

Echelon Corporation

The 7,9% stake in corporate capital of Echelon was bought in December 2005 from Enel S.p.A. for USD 25 million (EUR 20 million). Echelon is listed on the NASDAQ stock market in the USA and is engaged in the field of control networking technology for automation systems.

The shares in Echelon are recognized at fair value with any gains or losses recorded directly in other comprehensive income.

Bayan Resources

The 10% stake in corporate capital of Bayan Resources T.b.k. was acquired in August 2008 for a total consideration of IDR 1.933 billion (EUR 138 million). The shares were acquired via Bayan's initial public offering on the Indonesian Stock Exchange, through the implementation of an agreement with Bayan and its shareholders.

Bayan Resources T.b.k., listed on the Indonesian Stock Exchange, produces coal in Indonesia with integrated coal mining, processing and logistic operations. The company is primarily engaged in the business of surface open cut mining of thermal coal and has a diversified product portfolio that ranges from bituminous coal, with high calorific content, to sub-bituminous and semi-soft coking coal.

Shares in Bayan Resources T.b.k. are recognized at fair value with any gains or losses recorded directly in other comprehensive income.

10. Other non-current financial assets – *EUR nill*

Financial receivables relate to the internal agreement between the Company and Enel Finance International NV based on which the latter undertook to the Company to assume all the Company's payment obligation under the notes issued (at 5,25% fixed-rate bond instalment maturing 2023)

On October 3th 2016, following the Extraordinary Resolution adopted by the Adjourned Meeting of bondholders of EUR 300.000.000 5,25% notes, Enel Investment Holding BV, the original issuer, have been signed the Deed of Substitution of in favor of Enel Finance International NV. Starting from October the 4th 2016 the Company has not listed financial instruments.

Current assets

11. Current financial assets – *EUR 3 million*

Millions of euro

	2016	2015	Change
Financial receivables due from Group companies			
- accrued income on GMTN debt assumption	-	4	(4)
- intercompany current amount with Enel SpA	2	87	(85)
- other financial receivables	1	-	1
Total	**3**	**91**	**(88)**

The fall of **Current financial assets** is primarily the result of the decrease of the intercompany current account held with Enel SpA essentially due to the participation on the payment of 50% of Enel Insurance.

12. Other current assets – *EUR 2 million*

Other current assets, dropped by 30 milion compared the previous year, the difference is mostly related to the receivables for dividends accrued in the previous year.

13. Cash and cash equivalents – *EUR 1.345 million*

This item is mostly related to the Short Term deposit Agreement between the Company and Enel Finance International NV for EUR 1.344 million.

14. Receivables for income taxes – *EUR 8 million*

As mentioned above starting from 1th January 2015, the Company forms part of a fiscal unity with Enel Finance International NV whereby the Company is the head of the fiscal unity.

This amount is related to the tax calculation of Enel Finance International NV and are receivables toward the Dutch tax authorities.

Liabilities and shareholder's equity

15. Shareholder's equity – *EUR 3.260 million*

Share capital – *EUR 1.593 million*

The authorized share capital of Enel Investment Holding B.V. amounts to EUR 7.500 million, divided into 750.000 thousand ordinary shares of EUR 10 each, of which 159.305 thousand ordinary shares have been issued and fully paid up.

Share premium reserve – *EUR 2.410 million*

Fair value reserve AFS - *EUR 99 million*

This item includes the accumulated income recognized directly in other comprehensive income referring to available-for-sale financial assets measured at fair value in Bayan Resources T.b.K and Echelon Corporation. This reserve is not freely distributable.

Non-current liabilities

16. Long-term loans – *EUR nill*

Millions of euro	Maturing	Carrying amount	Nominal value	Carrying amount	Nominal value
		31 Dec. 2016		31 Dec. 2015	
Bonds:					
- listed, fixed rate 5,25%	2023	-	-	298	300

On October 3th 2016, following the Extraordinary Resolution adopted by the Adjourned Meeting of bondholders of EUR 300.000.000 5,25% notes, Enel Investment Holding BV, the original issuer, have been signed the Deed of Substitution of in favor of Enel Finance International NV. Starting from October the 4th 2016 the Company has not listed financial instruments.

17. Provision for risks and charges – *EUR nill*

The release of provision for EUR 79 milion related to risk and charges follow the, already mentioned, decision of the Arbitral Tribunal, to reject in full the claims of SAPE notified to the Company.

Current liabilities

18. Current financial liabilities – *EUR nil*

The drop of EUR 5 milion in current financial liabilities is due the above mentioned substitution of Issuer, where Enel Investment Holding BV transfer the property of the BOND to Enel Finance International NV. For this reason after the 4th of October the Company will no longer accrued financial liabilities due the bond interest expenses.

19. Other current liabilities – *EUR 413 million*

Millions of euro	**31 Dec. 2016**	31 Dec. 2015	Change
Payables owed to related parties:			
- Enel Ingengeria e Ricerca	2	3	(1)
- Enel Finance International	9	-	9
Payables due to third parties:			
- Put option liability - Enel Distributie Muntenia S.A.	353	661	(308)
- Put option liability - Enel Energie Muntenia S.A.	48	117	(69)
- Other sundry payables	1	1	-
Total	**413**	**782**	**(369)**

Other current liabilities drop by EUR 369 milion mainly due the settlement of the put option on the above mentioned arbitration award on the 13.6% of the shares of Enel Distributie Muntenia and Enel Energie Muntenia, and the simultaneous loss of the tag along right exists on a further 10% stake the new value of the exercise of the put options amounts to EUR 401 million as at December 31, 2016. (EUR 778 milion as at December 2015).

The reduction is partially ofsetted by the debit towards Enel Finance International mostly related to the above mentioned Fiscal Unit.

20. Related parties

Related parties have been identified on the basis of the provisions of international accounting standards.

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

Millions of euro	Receivables	Payables	Cost	Income	Dividends
	31 Dec. 2016		2016		
Shareholder:					
Enel S.p.A	2	-	1	-	-
Subsidiaries:					
Enel France	-	-	-	13	-
Enel Distributie Banat	-	-	-	-	8
Enel Energie	-	-	-	-	2
Enel Distributie Drobogea	-	-	-	-	6
Other affiliated companies:					
Enel Ingegneria	-	2	2	-	-
Enel Trade	1	-	-	2	-
Enel Finance International N.V.	1.345	9	-	14	-
Total	**1.348**	**11**	**3**	**29**	**16**

Millions of euro	Receivables	Payables	Cost	Income	Dividends
	31 Dec. 2015		2015		
Shareholder:					
Enel S.p.A	87	1	1	-	-
Subsidiaries:					
Marcinelle	-	-	-	-	35
Enel Russia	-	-	-	-	26
Enel Distributie Banat	-	-	-	-	10
Enel Energie	-	-	-	-	7
Enel Distributie Drobogea	-	-	-	-	5
Associated Companies:					
Res Holdings BV	27	-	-	-	36
Other affiliated companies:					
Enel Ingegneria	-	3	3	-	-
Enel Trade	1	-	-	2	-
Enel Finance International N.V.	1.517	-	-	20	-
Total	**1.632**	**4**	**4**	**22**	**119**

Contractual commitments and guarantees

The contractual commitments and guarantees as of 31 December 2016 are specified as follows:

The guarantees given in favor of third parties in 2016 amount to EUR nil. The reduction of EUR 12 million includes the effect of the ceasing of the parent guarantees issued as a security to the timely payment following the direct contractual commitments of Enel Russia vs Ansaldo Energia SpA and Nooter Eriksen signed in 2011 for the manufacturing of the equipment for the construction of new CCGT in Russia, catching existing market opportunities.
In particular, Enel Russia signed a contract with Ansaldo and Nooter Eriksen for the equipment which has become available after the cancellation of the contract between Enelco SA and the abovementioned suppliers. At that stage, the equipment was partially prepaid but not yet produced, and following the termination of the contract the suppliers returned back the advance payment to Enelco. The ownership for any part of the equipment was not transferred from suppliers to Enelco.
The terms of the contracts between suppliers and Enel Russia provided direct payments from Enel Russia to Nooter and Ansaldo.
As contract obligations were executed fully in alignment with the terms and considering that payments to Nooter Eriksen and Ansaldo were set in full without any claims from suppliers, Enel Investment Holding does not need to keep in force the aforesaid parent guarantees.

In October 2011 the Company resolved to issue a guarantee for an unlimited amount in favour of Sonatrach, the Algerian state-owned oil company, and in the interest of Enel Trade SpA, fully owned by Enel SpA, for the proper execution of Enel Trade SpA obligations arising from its entering into a Production Sharing Contract (PSC) for the acquisition of a 18,375% stake in the Isarene project, especially with regards to the operations to be performed during the exploration and exploitation phases.

Compensation of Directors

The emoluments of the Company's Directors charged in 2016, as per Section 2:383 (1) of the Dutch Civil Code, amounted to EUR 76 thousand (EUR 76 thousand in 2015) and are summarized in the following table:

(all amounts in thousands of Euro)	**31 Dec. 2016**	31 Dec. 2015
Mr. A. Canta	**-**	-
Mr. C. Palasciano Villamagna	-	-
Mr. G. Pescini	-	-
Mr. A.J.M. Nieuwenhuizen	**19**	19
Mr. H. Marseille	**19**	19
Mr. F. Mauritz	**19**	19
Mr. E. Di Giacomo	**19**	19
	76	76

Board of Directors composition

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

Auditor's remuneration

With reference to Section 2:382 a (1) and (2) of the Dutch Civil Code, audit fees are included in the relevant disclosure in the Consolidated Financial Statement of the ultimate Parent Company Enel S.p.A.

21. Subsequent events

There aren't significant post balance sheet events to be reported

22. Contingent liabilities

In April 20 2016, SAPE submitted a further claim at the International Chamber of Commerce in Paris against Enel SpA and Enel Investment Holding BV regarding the dividend of the year 2012 plus interests that the Company should have distributed, following the Privatization Agreement. The trial is in the preliminary stage.

Amsterdam, 5 May 2017

The Board of Directors:

A. Canta

C. Palasciano

G. Pescini

A.J.M. Nieuwenhuizen

H. Marseille

E. Di Giacomo

23. Other information

Provisions in the articles of association governing the appropriation of profit

Under article 14 of the Company's articles of association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate that profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Proposal for profit appropriation

The Board of Directors proposes to the Shareholders the allocation of the result of the year 2016 amounting of EUR 160 millions to the Company's reserves of EUR 1.507 millions.

Auditor's report

The auditor's report is included in page 59.

Auditor’s report

Building a better working world

Independent auditor's report

To: the shareholder and board of directors of Enel Investment Holding B.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Enel Investment Holding B.V., based in the Netherlands.

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

The financial statements comprise:

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

Basis for our opinion

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

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

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

Report on other information included in the annual report

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

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

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

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

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

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

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

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

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

Eindhoven, 5 May 2017

Ernst & Young Accountants LLP

Signed by: P.A.E. Dirks