

Functional Currency Report

ENEL AMERICAS S.A.

Santiago, Chile
April 06, 2017

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Report of the Independent Auditor

To
Paolo Pirri
Head of Administration
Enel Américas S.A.

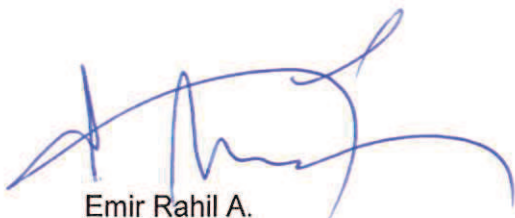
As required by the "Oficio Circular N° 427" issued by Superintendency of Securities and Insurance, we have applied certain procedures to the report prepared by Deloitte Auditores Consultores Ltda. as of December 2, 2016, to establish the functional currency of Enel Américas S.A. for 2017 in accordance with the parameters laid down by the International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates". The procedures applied are summarized in appendix A. We conducted our procedures in accordance with auditing standards generally accepted in Chile. Therefore, we consider that the described procedures in appendix A are appropriate to the circumstances.

Our scope is limited only to applying the procedures described in appendix A and do not constitute an audit of the report prepared by Deloitte Auditores Consultores Ltda. Accordingly, we do not express an audit opinion.

As a result of applying those procedures, nothing has come to our attention that causes us to believe that the functional currency established by the report mentioned in first paragraph is not in accordance with IAS 21.

Functional currency is the currency of the primary economic environment in which the entity operates, according to IAS 21; therefore, it can be changed if there are transactions, events and conditions that determine a revision.

This report is exclusively related to Enel Américas, S.A. and is issued only for information and use of the Board of Directors and, if required, to be presented to the Superintendency of Securities and Insurance.



Emir Rahil A.

EY Audit SpA.

Santiago, April 6, 2017

APPENDIX A

SUMMARY OF APPLIED PROCEDURES

1. We have read the report prepared by Deloitte Auditores Consultores Ltda., third party hired by the Company for evaluate the analysis done by Management to support the change of functional currency.
2. We have held meetings with Management and external consultants to assess their methodology, assumptions and information used in the preparation of the report.
3. We have completed EY's checklist for evaluation of the functional currency report at the date of the evaluation.
4. We have reviewed the resolution issued by Chilean Internal Revenue Service (SII) as of November 29th, 2016, in which Enel Américas S.A. is authorized to keep their accounting in United States dollar as of January 1st, 2017.

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ENEL AMERICAS S.A.

Functional currency report

December 2, 2016

Enel Américas S.A.
Attn.: Paolo Pirri
Chief Accounting Officer

Dear Sir:

Regarding our professional services for Enel Américas S.A. (hereinafter the Company), we are pleased to present to you our evaluation of the analysis performed by the Management to justify the change in the functional currency, as well as the date of its application, as a result of the change in the economic environment resulting basically from the restructuring process implemented by the Company and in accordance with the criteria stipulated for these purposes in the International Financial Reporting Standard (IAS) 21 “The Effects of Changes in Foreign Exchange Rates”.

The purpose of our services is to determine whether the analysis performed by the Management sustains the change in functional currency from the Chilean peso (hereinafter CLP) to the US dollar (hereinafter USD), as well as the date of application of the change, taking into account the effects being generated in the operations of Enel Américas S.A. as a result of the change in the economic environment resulting basically from the shareholders’ decision to restructure the Company’s operations.

Our analysis has been performed exclusively under the scope of determining the functional currency of Enel Américas S.A., which operates as a holding company registered at the Superintendency of Securities and Insurance (hereinafter SVS) and the Securities and Exchange Commission (hereinafter SEC), and we have focused our analysis on reviewing the factors being generated by the change in the Company’s economic environment, by reviewing the documentation of the relevant operations at the date of issue of this report, and the events agreed to by the Company’s Board of Directors, as well as the factors whose compliance is required by IAS 21 in order to determine and change the functional currency.

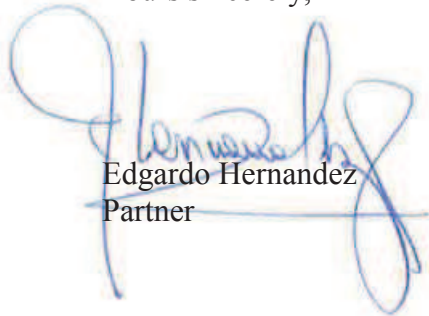
In order to issue this report, we have applied Generally Accepted Auditing Standards in Chile, Section AU 915 “Reports on applying the requirements of an applicable framework of financial reporting preparation and presentation”, and the Firm’s guidelines for defining the functional currency and the circumstances justifying any change in that functional currency, as well as the date as of which it should be applied.

December 2, 2016
Mr. Paolo Pirri
Enel Américas S.A
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For a proper understanding of the analysis and conclusions of the situation being consulted, we have structured our report as follows:

- I. Background – restructuring process implemented in 2016
- II. Analysis of the current and future economic environment and its effects on the functional currency
- III. Management analysis
- IV. Appropriate accounting principles for analyzing the change of functional currency and the application date of such change
- V. Comment on the conclusion

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Edgardo Hernandez', is written over a horizontal line. The signature is stylized with large loops and a long horizontal stroke extending to the right.

Edgardo Hernandez
Partner

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I. BACKGROUND – RESTRUCTURING PROCESS IMPLEMENTED IN 2016

Enel Américas S.A. is an openly-traded corporation and a holdco, which is registered in the security register of the Superintendency of Securities and Insurance in Chile and it is also registered with the Securities and Exchange Commission of the United States of America, and its shares have been traded in the New York Stock Exchange since 1993. It operates and has been established in a different jurisdiction than where its subsidiaries operate. In fact, the Company was incorporated and has been operating in Chile since 1981 under the company name “Compañía Chilena Metropolitana de Distribución Eléctrica S.A.” Subsequently, on August 1, 1988, its by-laws were amended and its name was changed to “Enersis S.A.”. As at March 1, 2016, the company’s name was changed to Enersis Américas S.A. regarding the company’s restructuring process that was being implemented by the Group. The company has existed under its current name, Enel Américas S.A, since December 1, 2016, on which date the above-mentioned company restructuring process was completed.

Towards the end of 2015, the Board of Directors of Enersis Américas S.A. (currently, Enel Américas) proposed a restructuring to the Extraordinary Shareholders’ Meeting to be implemented in 2016, separating the electrical energy generation and distribution activities carried out in Chile from the rest of the Latin American market where the Group is present. The business objective of the restructuring is to differentiate the geographical areas which currently have different growth leverages, thus being able to offer a service that is more focused on the problems and opportunities of each region; also, continuing to simplify the Company structure in Latin America by reducing the consolidation of minority interests and improving the alignment of strategic interests; and, finally, implementing a strategy that allows greater operational efficiency, greater business growth and a differentiated shareholder compensation policy.

The first stage of the company restructuring was completed in March 2016 and consisted of splitting Enersis Américas S.A., giving rise to a new company called Enersis Chile S.A. (currently, “Enel Chile S.A.”), to which all the assets and liabilities associated with the operations in Chile were assigned. As a result, all the assets and liabilities associated with the operations outside of Chile were assigned to the successor company, Enersis Américas S.A.

Similar processes took place in the subsidiaries Empresa Nacional de Electricidad S.A. (currently, Enel Generación Chile S.A.) and Chilectra S.A. (currently, Enel Distribución Chile S.A.), which were split, giving rise to Endesa Américas S.A. and Chilectra Américas S.A., respectively, companies to which all the assets and liabilities associated with the businesses outside of Chile were assigned.

The second stage of the company's restructuring process consisted of Enersis Américas S.A. taking over Chilectra Américas S.A. and Endesa Américas S.A. by a merger where minority shareholders of Chilectra Américas S.A. and Endesa Américas S.A. became shareholders of Enersis Américas S.A. on November 15, 2016, Enersis Américas S.A. communicated via essential fact document, that it signed together with Endesa Américas and Chilectra Américas the Declaratory Deed of Compliance regarding the Merger Conditions, which stated compliance with the conditions precedent to which the merger of Enersis Américas S.A. and the other two specified companies was subject. Therefore, as agreed to by the Extraordinary Shareholders' meetings of Enersis Américas S.A, Chilectra Américas S.A. and Endesa Américas S.A. held on September 28, 2016, the merger was declared as completed on December 1, 2016 and the firm name was changed from Enersis Américas S.A. to Enel Américas S.A.

As a result of this restructuring, Enel Américas S.A. was restructured as an incorporated holdco in Chile, with investments in companies operating the electrical energy generation and distribution businesses in Argentina, Brazil, Colombia and Peru. As of March 2016 Enel Chile S.A. gained the control over the electricity generation and distribution companies in Chile that were split from Enel Américas S.A.

Considering the effects of the restructuring, which split the investments in Chilean companies and stipulated that Enel Américas S.A. is incorporated as a holdco with investments held in jurisdictions outside Chile, and considering other events that occurred and are about to occur as assessed in this report, the management considers that the prevailing currency of the economic environment will be the US dollar, not the Chilean peso, and it estimates also that the reasonable date for applying this change will be January 1, 2017.

The sections below show Management's analysis and its grounds for the change in functional currency and the application date of the change, as well as the appropriate criteria under IAS 21, which should be applied to these circumstances, and the respective conclusions, according to our analysis.

II. ANALYSIS OF THE CURRENT AND FUTURE ECONOMIC ENVIRONMENT AND ITS EFFECTS ON THE FUNCTIONAL CURRENCY

i. Introduction

To date, the primary economic environment in which the company operates, and the related currency, in which it generates and expends its cash flows is the Chilean peso, based on the following historical factors:

- Enel Américas S.A. is a holdco with address in Chile, which, until February 2016, held investments in companies that operated in five Latin American countries, with five different currencies, where the operations in Chile represented 40% of the total business. The Company's business has consisted of acting as a platform for investing, looking for financing and managing investments held in companies in Latin America.
- For the purposes of determining the functional currency of Enel Américas S.A. as a holdco, the management considered the following aspects in its analysis:
 1. The currency of the local environment in which it operates, that is the currency in which its expenses are denominated, the currency in which it receives dividends from subsidiaries and the currency in which it obtains financing.
 2. The currency of the environment in which it manages the funds it receives as dividends, considering that it is its primary source of revenue.

Management also considered the definitions of IAS 21, which stipulate that each entity should determine its functional currency individually and should measure its results and its financial position in that currency.

Based on the above and considering the economic environment in which Enel Américas S.A. operates, the Management defined the Chilean peso as its functional currency, because that is the currency in which the company invests the cash flows received as dividends, the currency in which it generates expenses and the currency in which it obtains financing.

The cash flows from dividends received from subsidiaries are denominated in the local currency of each country, received in US dollars and invested in Chilean pesos. These cash flows are presented as part of cash and cash equivalents.

- Until mid-October 2016 the Company's debt was comprised of debt in UF (an inflation-linked unit of account used in Chile) (13%) and debt in US dollars (87%) redenominated to Chilean pesos with a derivative instrument.
- The tax currency of Enel Americas S.A. is the Chilean peso.
- The share capital of Enel Americas S.A. is expressed in Chilean pesos.

The evolution of the Company and the circumstances and events derived from the reorganization process that is being conducted during 2016 and expected to be completed in the first quarter of 2017, are having a direct impact on its economic environment and on the generation and use of its cash flows. The following are the most relevant transactions and events that justify the change in the holdco's functional currency:

- Corporate Restructuring, which consisted of splitting and separating the electricity generation and distribution activities carried out in Chile from Enel Americas S.A., hence reducing the influence of operations of the Chilean companies in the holdco.
- The dividend flows received from the subsidiaries will be invested in US dollars.
- Change of the financial structure, through issuing a US Dollar Bond in October 2016; part of those funds were used to settle an old financial debt and the associated derivative instruments, which resulted in a new financial structure (94% in US dollars and 6% in unidades de fomento (UF)). The payment of the old debt and settlement of the derivatives was accomplished on November 30, 2016.
- The Management of the Company has decided that the composition of cash and cash equivalents (time deposits and resale agreements) at the beginning of 2017 will be primarily in US dollars.
- Application with the Internal Revenue Service (Chilean IRS) for the change in tax currency to the US dollar was filed in September 2016. On November 29, 2016, the Chilean IRS issued a resolution authorizing Enel Americas to keep its accounting records in US dollars as of January 1, 2017.
- Revision of the Company's bylaws to redenominate its share capital from Chilean pesos to US dollars, which requires the approval of the Shareholders' Meeting, scheduled for April 2017.
- The Company, considering the evolution of the business and its impact on the functional currency, is currently developing a process to adapt and convert its computer systems, to the new contemplated functional currency, the US dollar. Its implementation should be up and running as of January 1, 2017.

All these factors that have occurred and those still pending have led the Management to consider that the evolution of the economic environment justifies the change of its functional currency to the US dollar and that it should be applied as of January 1, 2017, at the commencement of the new financial year.

ii. Current situation of the economic environment and functional currency

The Statement of Financial Position as at September 30 and October 31, 2016 by currency:

Statement of Financial Position:

Statement of Financial Position	31-03-2016 ThCLP\$	30-06-2016 ThCLP\$	30-09-2016 ThCLP\$	31-10-2016 ThCLP\$
Assets				
Cash and cash equivalents	792.318.325	621.110.217	857.498.427	1.287.221.760
Other financial assets	97.782.604	106.111.308	28.674.358	27.949.537
Accounts receivable from related entities	280.426.786	236.868.354	214.645.935	176.491.381
Investments under equity method	2.835.553.395	2.835.553.395	2.835.553.395	2.835.553.395
Other assets	68.258.720	90.366.029	119.783.509	118.815.279
Liabilities				
Other financial liabilities	277.826.190	276.476.764	282.072.191	664.551.996
Accounts payable to related entities	124.478.153	6.090.961	25.075.722	39.405.439
Other	40.476.704	8.987.170	7.631.672	4.598.303
Shareholders' Equity	3.631.558.784	3.598.454.408	3.741.376.038	3.737.475.615

Composition of the Statement of Financial Position by currency:

Statement of Financial Position	31-03-2016			30-06-2016			30-09-2016			31-10-2016		
	CLP	USD	Other	CLP	USD	Other	CLP	USD	Other	CLP	USD	Other
Assets												
Cash and cash equivalents	96%	4%	0%	93%	7%	0%	82%	18%	0%	47%	41%	0%
Other financial assets	77%	23%	0%	79%	21%	0%	1%	99%	0%	1%	99%	0%
Accounts receivable from related entities	1%	60%	39%	9%	55%	36%	66%	0%	34%	60%	0%	40%
Investments under the equity method	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%
Other assets	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%
Liabilities												
Other financial liabilities	100%	0%	0%	100%	0%	0%	100%	0%	0%	42%	58%	0%
Accounts payable to related entities	99%	0%	1%	70%	0%	30%	91%	0%	9%	91%	0%	9%
Other	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%
Equity	100%	0%	0%	100%	0%	0%	100%	0%	0%	100%	0%	0%

The composition of the statement of financial position in each quarter of 2016, presented in the table above, indicates that the Chilean peso is the currency that most influences the primary assets and liabilities that make up the statement of financial position, such as cash and cash equivalents, balances receivable from and payable to related companies, investments in associates and financial debt. It is also possible to determine that as of October 31, 2016 this influence changes in the statement financial position, since the correlation by type of currency in Cash and Cash Equivalents and in the financial debt is approximately 50%.

Income Statement:

The breakdown by currency for the individual Income Statement of Enel Americas S.A. as at September 30, 2016 is as follows:

Income Statement	30-09-2016				
	Total ThCLP\$	% of revenue	% per type of currency		
			% CLP (UF)	% USD	% Other
Operating revenue (Dividends received)	270.904.526	88%	61%	0%	39%
Other revenue	9.924.357	3%	100%	0%	0%
Operating costs	- 2.833.924	-1%	100%	0%	0%
Operating expenses	- 27.325.049	-9%	100%	0%	0%
Financial income	26.317.757	9%	87%	13%	0%
Financial expenses	- 14.039.656	-5%	90%	0%	10%
Indexation	- 584.348	0%	100%	0%	0%
Exchange difference	- 20.540.478	-7%	0%	98%	2%
Impuesto Sobre Sociedades	63.361.691	21%	100%	0%	0%
Income	305.184.876				

The income statement includes mainly the income from the dividends received by Enel Americas S.A. from the investments in companies that operate in Argentina, Brazil, Colombia and Peru (and to a lesser extent in Chile, which was excluded in February 2016) and the expenses are largely incurred in Chilean pesos.

The operational expenses of the Company are denominated and paid in Chilean pesos, and the main components are personnel salaries (32%) and external independent professional services (35%).

The breakdown by currency of the main items of assets, liabilities and income that justify that the Company's functional currency corresponds to the Chilean peso, is as follow:

a. Financial Structure

a.1 Financial debt

During the first 3 quarters of 2016, the financial debt of Enel Americas S.A. in US dollars was 260 million, which was due to an issued Bond in the United States. For this debt the Company adopted a hedging policy to mitigate the exchange rate risk by acquiring currency swap derivative instruments to redenominate the debt from USD to CLP, therefore the financial debt is expressed 100% in Chilean pesos.

Maturity date	31-03-2016		30-06-2016		30-09-2016	
	CLP	USD	CLP	USD	CLP	USD
Other financial liabilities	100%	0%	100%	0%	100%	0%
Debt with credit entities	3		27		4	
Bond BNY USD and Sw ap USD/UF (01-12-2016)*	251.679.968		252.118.495		257.162.544	
Bond BNY USD (01-12-2026)		587.331		570.472		576.898
Bond BNY USD (25-10-2026)						
Banco Santander Chile (15-06-2022)	25.558.888		23.787.770		24.332.744	

* Corresponds to Bond issued in USD redenominated to local currency through Sw ap

On October 20, 2016, the Company issued a new Bond in the United States for US\$600 million with a 10-year maturity and has decided not to apply a hedging policy for its redenomination to Chilean pesos. The debt structure by currency as at October 31, 2016 is as follows:

	Maturity date	31-03-2016	
		CLP	USD
Other financial liabilities		100%	0%
Debt with credit entities		3	
Bond BNY USD and Sw ap USD/UF (01-12-2016)*	01-12-2016	251.679.968	
Bond BNY USD (01-12-2026)	01-12-2026		587.331
Bond BNY USD (25-10-2026)	25-10-2026		
Banco Santander Chile (15-06-2022)	15-06-2022	25.558.888	

* Corresponds to Bond issued in USD redenominated to local currency through Sw ap

The BNY Bond and its related Currency Swaps for ThCLP\$256,773,626 were paid on November 30, 2016. With the new debt issued in October 2016 and the payment of the debt mentioned above, the financial liability was expressed mostly in US dollars (approximately 94%).

a.2 Cash and Cash Equivalents

During the quarters of 2016, on average the Cash and Cash Equivalents of Enel Americas S.A., is 90% in Chilean pesos, as detailed below:

Cash and cash equivalents	31-03-2016		30-06-2016		30-09-2016	
	CLP	USD	CLP	USD	CLP	USD
	96%	4%	93%	7%	82%	18%
Cash	9.696		9.927		9.922	
Banks	714.557		5.282.972		593.445	
Short-term deposits	508.326.675	28.075.647	369.626.006	44.859.155	483.289.575	158.212.757
Resale agreements	255.191.749		201.332.156		215.392.727	

As at October 31, 2016, the breakdown by currency of the Cash and Cash Equivalents item is 41% in US dollars, as detailed below:

Cash and cash equivalents	31-10-2016	
	CLP	USD
	59%	41%
Cash	9.922	
Banks	23.750.283	
Short-term deposits	599.087.825	532.297.218
Resale agreements	132.076.511	

It is also important to note that during November 2016, approximately ThCLP\$498,600,000 in USD/CLP forward derivative instruments that mature at the beginning of January 2017 were contracted to redenominate short-term investments from CLP to USD, leaving this item close to 100% in US dollars. These derivative instruments are settled under the method of physical delivery, because the objective is precisely to manage their cash and cash equivalents in USD as of 2017.

b. Dividends received

The dividends received are determined in each country's local currency (Colombian Peso, Peruvian Sol, Brazilian Real, Argentine Peso and Chilean Peso). The received dividend flows from foreign companies are converted to and received in US dollars and because the Company's functional currency is the Chilean peso, local currency forward (currency of the country of the dividend to USD, and subsequently a USD to CLP hedge) to hedge exchange rate risk.

The primary dividend flows received during 2016 came from investments in Chilean Companies which were part of the consolidation perimeter up to March 1, 2016, and therefore were received directly in Chilean pesos.

The breakdown by currency of the dividends received as at September 30, 2016 is as follows:

Income Items	Total ThCLP\$	% of revenue	% Currency of item		
			% CLP (UF)	% USD	% Other
Dividend income	270,904,526	88%	61%	0%	39%

c. Dividends Paid

The principal shareholders of Enel Americas S.A. up until November 30, 2016 are detailed below:

Shareholders	% Ownership Interest (*)	Residence
ENEL LATINOAMERICA SA	40.32%	Foreign
ENEL IBEROAMERICA SRL	20.30%	Foreign
CITIBANK N.A. ACCORDING TO CIRCULAR 1375 SVS	10.10%	Foreign
BANCO DE CHILE IN THE NAME OF NON-RESIDENT THIRD PARTIES	6.02%	Foreign
BANCO ITAU CORPBANCA IN THE NAME OF FOREIGN INVESTORS	3.52%	Foreign
BANCO SANTANDER IN THE NAME OF FOREIGN INVESTORS	2.74%	Foreign
AFPs	7.28%	Local

Until 2016, the dividends are determined in Chilean pesos and made available for payment to the shareholders in that currency.

d. Operating expenses

Regarding the Company's operating expenses, these represent on average less than 11% of revenue and are mainly for staff wages and outsourced professional services; these expenses are determined and paid in Chilean pesos. Accordingly, the operating expenses do not have a significant effect in the determination and change of the functional currency.

iii. Projection of Management regarding the economic environment and functional currency as of January 1, 2017

a. Financial debt

As of January 1, 2017 the financial debt of the Company will be expressed mostly in US dollars (approximately 95% or more).

b. Cash and cash equivalents

During November 2016, approximately 59% of Enel Americas S.A.'s cash and cash equivalents (time deposits, resale agreements, etc.) are expressed in Chilean pesos (the remaining 41% in US dollars); however during November 2016 the Management has contracted USD-CLP forward financial instruments that redenominate these investments to USD maturing in early January 2017, leaving these short-term investments in US dollars. As of January 2017 all cash and cash equivalents, or a substantial portion of it, will be managed/invested directly in US dollars.

c. Dividends received

The dividends that the Company expects to receive in 2017 will be from the same sources, determined in the local currencies of each country (Colombian Peso, Peruvian Sol, Brazilian Real and Argentine Peso). To hedge against the exchange rate risk, the Company will enter into forward contracts between the different currencies of each country and the US dollar.

d. Dividends paid

In relation to dividends payable to shareholders and considering the contemplated change in functional currency, Management has determined that those related to the distribution of income for 2017 or subsequent years will be determined and paid in USD.

e. Operational expenses

The Management estimates that the Chilean peso will continue to be the currency of expenses in 2017 and that these expenses will remain insignificant for determining the functional currency of the Company.

f. Request to the Internal Tax Service (SII) to change of tax currency

On September 30, 2016, the Company's Management filed the application to the Internal Revenue Service for authorization to keep its accounting records in foreign currency. The application is based on the following requirements set forth in the article 18 of the tax code:

- a) When the nature, volume, recurrence or other characteristics of its foreign trade operations in foreign currency justify it.*
- b) When its capital has been contributed from abroad or its debts have been contracted abroad mostly in foreign currency. "*

In the request submitted to the SII, the Company set forth its full compliance with these provisions and therefore requests the regulatory authority to allow keeping its tax accounting in US dollars as from January 1, 2017.

On November 29, 2016, the Chilean IRS issued a resolution authorizing Enel Americas to keep its accounting records in US dollars as of January 1, 2017.

g. Change, in bylaws, of the currency in which the share capital is expressed

The Management has determined that in April 2017, it will submit the approval of the Extraordinary shareholders' Meeting, the amendment of its bylaws, in order to modify the reference related to the currency for contributing share capital, changing it from the current one (Chilean pesos) to US dollar.

III. MANAGEMENT ANALYSIS

The Management of Enel America S.A. has carried out an analysis of the economic facts described in section II of this report, based on the accounting criteria established in IAS 21 "Effects of Changes in Foreign Exchange Rates", in order to assess whether the conditions for deciding the change of functional currency are complied with and also, to establish its criterion with respect to the application date of the change of currency. Below are presented the fundamentals of the Management's analysis:

i. Justification for changing the functional currency

In order to analyze the justification for the change of functional currency, Management has considered the criteria in IAS 21 paragraphs 9 and 10 that establish the factors for determining the functional currency and paragraphs 35, 36 and 37 that deal with the change of functional currency. Paragraph 9 refers to the economic environment in which the Company operates, through which it generates and expends cash, and defines that the functional currency is that which influences the selling prices of goods and services, the currency of the country whose competitive forces, and regulations determine the sales prices and currency that influences labor costs, materials, and other costs to produce goods and delivering services. The standard establishes that these factors are the first source of analysis for the definition of functional currency. Paragraph 10 establishes that the currency in which financing activities (debt and equity) are generated and the currency in which the amounts charged by operating activities are maintained are secondary factors, which may also generate evidence for determining the functional currency.

Enel Américas S.A. is a holdco that owns investments in electricity generation and distribution companies whose cash flows are generated essentially by the dividends it receives from its investments in the currencies of each country; therefore, these cash flows are not a conclusive factor for determining the functional currency. In the same way, operational costs and expenses are generated in Chilean pesos and represent 11% of dividend income. This is why the costs are not considered a relevant factor for determining the functional currency.

On the other hand, since the Company is a holdco that operates and is incorporated in Chile, the secondary factors related to obtaining financing, paying dividends to its shareholders, and the currency in which it invests and maintains the amounts collected from the dividends are indicators that better represent the functional currency of the Company.

In effect, the Management, taking into account the previously mentioned provisions, concludes that its activities as a holdco do not present a currency that fundamentally influences prices or determines them in sales of goods and services, and that its operating costs are not significant enough to consider them as the currency that can influence when determining the functional currency, as is the case of the currency in which cash flows are kept from dividends receivable from associates and as is the case of the currency of the cash flows that are generated by activities that are the secondary factors described in paragraph 10 of IAS 21.

Based on the above, the Management has justified and documented that the Chilean peso will be its functional currency until December 31, 2016.

Regarding the transactions and events that took place towards the end of 2016 and are expected to be concluded in April 2017, which are detailed in section II, hence, the Management has determined that the new financing activities, the future currency change of the share capital and the change in the currency in which cash and cash equivalents will be maintained, are relevant facts which indicate that the Chilean peso as the functional currency of the Company will not reflect the principal economic environment in which it generates and expends its cash. Accordingly, Management has concluded, based on paragraph 36 of IAS 21, that the occurred economic events and those that will occur, constitute sufficient evidence to support the change of the currency of the main economic environment in which the Company operates, and it has determined that the functional currency that will most faithfully represent the economic facts of the underlying transactions and events and conditions will be the US dollar.

Considering that the factors that justify the change in functional currency mentioned in the previous paragraph are related to the Internal Revenue Service (Chilean IRS) requirements for keeping foreign currency records, on September 30, 2016 the Company filed an application to change its tax currency, arguing that its capital is mainly contributed from abroad and its debts are contracted in USD. On November 29, 2016, the Chilean IRS issued a resolution authorizing Enel Americas to keep its accounting records in US dollars as of January 1, 2017.

ii. Analysis of the date of application of the change in functional currency

Based on paragraphs 35 and 37 of IAS 21, which establish that when a functional currency change occurs, it will apply to the translation procedures that are applicable to the new functional currency prospectively from the date of the change, considering that the economic facts that justify the change have developed gradually, and that those of greater relevance took place towards the end of the year 2016 and the beginning of 2017, the Management estimates that due to a practical situation, the reasonable date for applying the change of functional currency is January 1, 2017.

IV. APPROPRIATE ACCOUNTING PRINCIPLES FOR ANALYZING THE CHANGE OF FUNCTIONAL CURRENCY AND THE APPLICATION DATE OF SUCH CHANGE

Given that Enel Américas S.A. prepares its financial statements under the International Financial Reporting Standards (IFRS), we have taken into account the IFRS and in particular IAS 21 "The Effects of Changes in Foreign Exchange Rates" in analyzing the rationale for changing the functional currency, and for determining the new functional currency and the date of application of the new functional currency, as presented below:

- **Justification for changing the functional currency**

The change of functional currency proposed by Enel Américas S.A. is based on the changes to transactions and conditions that are relevant to the Company and that are described in sections II and III above. The rationale for this is provided by IAS 21-paragraph 36.

IAS 21, paragraph 36:

*“As noted in paragraph 13, the functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. Accordingly, **once the functional currency is determined, it can be changed only if there is a change to those underlying transactions, events and conditions.** For example, a change in the currency that mainly influences the sales prices of goods and services may lead to a change in an entity’s functional currency”.*

We agree with Management in that the following transactions and events are the relevant factors that justify the change of functional currency:

1. Enel Américas S.A. completed its organizational restructuring process on December 1, 2016, and the Company's objective is to invest in, and manage its investment in, foreign subsidiaries and associates with no address in Chile, which are generators, transmitters, distributors or marketers of electricity.
2. As of October 31, 2016, the received cash flows were held in time deposits and resale agreements, 59% of which are in CLP and 41% in USD. As of January 1, 2017, the Company's strategy will be to invest approximately 100% of its cash surpluses in USD.
3. As of January 1, 2017, most of the financial debt (approximately 95% or more) will be expressed in US dollars, which differs from the financial policy that has been applied virtually during the entire 2016 period.
4. In April 2017, the Extraordinary Shareholders' Meeting must approve the change of by-laws as regards the currency for making capital contributions, replacing the Chilean pesos with US dollars. Therefore, as of that date the Company's share capital would be determined in US dollars.

5. The Company applied for changing the currency used for filing its direct taxes with the Chilean IRS. The approval of this application is relevant, basically because the Chilean IRS uses parameters very similar to the factors set forth in IAS 21. On November 29, 2016, the Chilean IRS issued a resolution authorizing Enel Americas to keep its accounting records in US dollars as of January 1, 2017.

▪ **Determining the new functional currency**

The determination of the new functional currency is based on the analysis of the primary and secondary factors established in IAS 21, in paragraphs 9 and 10. The following is an analysis of these factors:

IAS 21, paragraph 9:

The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. An entity considers the following factors in determining its functional currency:

(a) *The currency:*

- (i) *that mainly influences sales prices for goods and services (this will often be the currency in which **sales prices for its goods and services** are denominated and settled); and*
- (ii) *of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.*

(b) *the currency that mainly influences labor, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).*

In relation to the analysis of the primary factors, as discussed by the Company in section III, Enel Americas S.A. is a holding entity that makes investments in companies that operate autonomously in various jurisdictions, and it does not generate cash flows from the sale of goods and services. Its cash flows come from dividends generated by these investments and, given that such dividends are received in various currencies, it is not obvious which one of them influences the determination of the functional currency. In the same way, operational costs and expenses are paid mainly in Chilean pesos and correspond to salaries and external professional services. These costs represent 11% of dividend income and therefore do not constitute a relevant factor for determining the functional currency, in accordance IAS 21, paragraph 9.ii.

Conclusion: As a result, we agree with the Management's conclusion that the primary factors are not relevant in the analysis for determining the functional currency. Management considers that the secondary factors provide relevant evidence to determine the Company's functional currency on the basis that IAS 21, in paragraph 10, states that:

“The following factors may also provide evidence of an entity's functional currency:

(a) ***the currency in which funds from financing activities (i.e. issuing debt and equity instruments) are generated.***

(b) *the currency in which receipts from operating activities are usually retained.”*

Conclusion: Based on the provisions of IAS 21 and the analysis of the basically secondary factors discussed in section III of this report, we consider that the change of the Company's functional currency from Chilean pesos to US dollars is appropriate due to the occurrence of the events presented in section II of this report, which reduce transactions in Chilean pesos and significantly increase the financial transactions in US dollars.

It is worth remembering that IAS 21, paragraph 12, allows the following: *“When the above indicators are mixed and the functional currency is not obvious, management uses **its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.** As part of this approach, management gives priority to the primary indicators in paragraph 9 before considering the indicators in paragraphs 10 and 11, which are designed to provide additional supporting evidence to determine an entity's functional currency.”*

▪ **Other guidance applied to the technical analysis**

When analyzing the appropriate criteria for determining the functional currency, and specifically the functional currency of a holdco that has investments in other countries, we analyzed the Staff Paper dated in January 2010 issued by the IASB Technical Staff, since we received a requirement to establish guidelines for determining the functional currency of a holdco. The purpose of such Staff Paper is to document the staff's analysis and recommendation regarding this matter.

Below we reproduce the technical analysis of that discussion that is documented in the above mentioned Staff Paper:

IASB - Staff Paper January 2010, A6

*“A6 In some situations, the indicators in IAS 21 paragraph 9 may not be helpful in determining the functional currency of an entity. For example, for an investment holding entity that does not undertake any material operating activities of its own, the consideration of the currency that mainly influences sales and cost of sales is not directly relevant. **Current IAS 21 does not provide direct guidance on how to determine the functional currency of such holding entities.***

The analysis involving the determination of the functional currency of a holdco is focused on the following two aspects:

IASB - Staff Paper January 2010, n°5 “

- a) *The holdco uses the currency of its local environment as its functional currency – this is the currency in which its operating expenses are denominated, in which it receives dividends from its subsidiaries, and is the currency in which it raises funding.*

Or

- b) *The holdco uses the currency of the local environment of its subsidiaries as its functional currency, as this is the environment driving the dividend income the holdco receives, which is its primary source of revenue”.*

The IASB response to this matter states:

IASB - Staff Paper January 2010, n°17 “

*“The staff think a holdco entity that is carrying out operating activities and making management decisions in its local currency, that is raising finance in its local currency and that has a significant degree of autonomy from its subsidiaries in the way its business is managed, all point towards View A. **The staff emphasize though, that all facts and circumstances must be taken into account in applying the necessary judgement to determine the functional currency of an entity”.***

IASB - Staff Paper January 2010, n°19 “

“Based on the assessment of the agenda criteria in paragraph 18, the staff recommends that IFRIC not add the issue to its agenda...”

Conclusion: As can be seen, the Staff Paper acknowledges that this situation is not specifically addressed in IAS 21 and emphasizes that the functional currency must be determined on a case by case basis. As a result, one can conclude that the Management’s analysis that takes into account the local environment in which Enel Americas S.A. operates is adequately substantiated.

▪ **Date of application of change of functional currency**

The Company plans to make the change of functional currency prospectively as from January 1, 2017, which is considered as the date on which the facts and events of the relevant changes in the transactions will be evident and the date on which the accounting financial system that will control transactions in the new functional currency will be implemented.

The accounting criteria for applying the change of functional currency prospectively as from January 1, 2017 are based on IAS 21 paragraphs 35 and 37, which are described below:

IAS 21, paragraph 35:

*“When there is a change in an entity’s functional currency, the entity shall apply the translation procedures applicable to the new functional currency **prospectively from the date of the change.**”*

IAS 21, paragraph 37:

*“The effect of a change in functional currency is accounted for **prospectively**. In other words, an entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously recognized in other comprehensive income in accordance with paragraphs 32 and 39(c) are not reclassified from equity to profit or loss until the disposal of the operation.”*

Although IAS 21 does not specify the date on which the convergence of the financial statements to the new functional currency should be applied, we have reviewed the application guidance regarding this particular issue, which proposes as a practical matter to use the most recent start date on which the events and facts of the relevant changes in transactions will be evidenced.

The following Q & A released by the Deloitte and E & Y application guidance gives answer to the question regarding the application date of the change:

▪ **Deloitte**

“Question

At what date should a change in functional currency be recognized?

Answer

A change in functional currency should be recognized as of the date it is determined that there has been a change in the underlying events and circumstances relevant to the reporting entity that justifies a change in the functional currency. This could occur on any date during the year. For convenience, and as a practical matter, there is a practice of using a date at the beginning of the most recent period (annual or interim, as the case might be).

3.2.8.2 Date at which change in functional currency is recognized

*A change in functional currency should be reported as of the date it is determined that there has been a change in the underlying events and circumstances relevant to the reporting entity that justifies a change in the functional currency. **This could occur on any date during the year. For convenience, and as a practical matter, there is a practice of using a date at the beginning of the most recent period (annual or interim, as the case might be).***

In accordance with [IAS 21:35], when there is a change in an entity's functional currency, the entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change.

In other words, all items are translated into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously recognized in other comprehensive income are not reclassified from equity to profit or loss until the disposal of the operation (see [section 6](#)). [IAS 21:37].”

- **E&Y**

- i. Application date

*“Often an entity's circumstances change gradually over time and it may not be possible to determine a precise date on which the functional currency changes. **In these circumstances an entity will need to apply judgement to determine an appropriate date from which to apply the change, which might coincide with the beginning or end of an interim or annual accounting period.**”*

- ii. Change in functional currency

IAS 21 requires management to use its judgement to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity (see [4](#) above). Accordingly, once the functional currency is determined, it may be changed only if there is a change to those underlying transactions, events and conditions. For example, a change in the currency that mainly influences the sales prices of goods and services may lead to a change in an entity's functional currency. [IAS 21.36].

When there is a change in an entity's functional currency, the entity should apply the translation procedures applicable to the new functional currency prospectively from the date of the change. [IAS 21.35].

In other words, an entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation recognized in other comprehensive income are not reclassified from equity to profit or loss until the disposal of the operation (see 6.6 below). [IAS 21.37].

Conclusion: Based on the provisions of IAS 21 and the application guidance described above, we agree with Management that the date for application of the change of functional currency scheduled for January 1, 2017 is adequately substantiated.

V. COMMENT ON THE CONCLUSION

The final responsibility for the decision about the proper application of the International Financial Reporting Standards rests with the Company's management as preparer of the financial statements. Our judgment on the proper application of the above mentioned International Financial Reporting Standards in connection with the change described above in accounting policy is based solely on the events, circumstances or assumptions provided to us as described above. If the events, circumstances or assumptions differ from those described herein, our conclusions may change. Accordingly, the Company is responsible for notifying us of any changes in the events, circumstances or assumptions. We have no responsibility for updating our report in response to any changes in the International Financial Reporting Standards on which our conclusions are based, subsequent to the issuance of our report. Our comments regarding the change of an accounting policy are not directed at any regulatory or other matters other than the specific accounting treatment described above. The events, circumstances, assumptions, and conclusions described herein may be treated differently by regulatory bodies such as the Chilean Superintendency of Securities and Insurance (known as S.V.S) that may have the ability to issue or interpret standards. Our conclusions are not linked to any other regulatory body and we do not provide assurance that any of these regulatory bodies does not have a different position.

This report is intended only for the knowledge and use of the Management of Enel Americas S.A., the Board of Directors, the regulatory bodies, and the shareholders when an Extraordinary Shareholders' Meeting is convened to discuss this matter.