Notes to the consolidated financial statements

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Form and content of the financial statements

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

The consolidated financial statements for the period ended December 31, 2017 comprise the financial statements of Enel SpA, its subsidiaries and Group holdings in associates and joint ventures, as well as the Group's share of the assets, liabilities, costs and revenue of joint operations ("the Group"). A list of the subsidiaries, associates, joint operations and joint ventures included in the scope of consolidation is attached.

The consolidated financial statements were approved for publication by the Board on March 22, 2018.

These financial statements have been audited by EY SpA.

Basis of presentation

The consolidated financial statements for the year ended December 31, 2017 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation 2002/1606/EC and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as the "IFRS-EU".

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

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

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

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

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

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

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

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

> cash flows from financing activities include cash flows generated by liability management transactions, dividends paid to non-controlling interests by the Parent Com-

pany or other consolidated companies and the effects of transactions in non-controlling interests that do not change the status of control of the companies involved;
> a separate item is used to report the impact of exchange rates on cash and cash equivalents and their impact on profit or loss is eliminated in full in order to neutralize the effect on cash flows from operating activities.

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

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

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

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

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

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Accounting policies and measurement criteria

Use of estimates and management judgment

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

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

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

Use of estimates

Revenue recognition

Revenue from sales to customers is measured on an accrual basis and on the basis of the fair value of the consideration received or receivable.

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

Pension plans and other post-employment benefits

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

Certain employees are also eligible for other post-employment benefit schemes.
The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs.
Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of wage increases, the inflation rate and trends in the cost of medical care.
These estimates can differ significantly from actual developments owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of medical care.
Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

Recoverability of non-current assets

The carrying amount of non-current assets is reviewed periodically and wherever circumstances or events suggest that a review is necessary. Goodwill is reviewed at least annually. Such assessments of the recoverable amount of assets are carried out in accordance with the provisions of IAS 36, as described in greater detail in note 20 below. The analysis of each group of non-current assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the given circumstances.
In particular, the recoverable amount of non-current assets and goodwill is based on estimates and assumptions used in order to determine the amount of cash flow and the discount rates applied.
The expected cash flows are prepared on the basis of the most recently approved company plans and the information available at the time of the estimation. Accordingly, the assumptions used in estimating cash flows are based on management judgments with regard, in particular, to future developments in, for example:

- expected developments in electricity and gas demand;
- expected availability of renewable resources;
- the generation mix of traditional generation plants, taking account of the expected prices and availability of commodities (gas, coal, fuel oil, etc.);
- expected sales prices of electricity and gas;
- macroeconomic variables such as inflation, exchange rates and discount rates.

The discount rate gross of taxes reflects current market assessments of the cost of money in relation to the period of investment and the specific risks of discounting.

Nevertheless, possible changes in the estimation of the factors on which the calculation of such values is performed could generate different recoverable values.

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

Law 134 of August 7, 2012 containing "urgent measures for growth" (published in the Gazzetta Ufficiale of August 11, 2012) introduced a sweeping overhaul of the rules governing hydroelectric concessions. Among its various provisions, the law establishes that five years before the expiration of a major hydroelectric water diversion concession and in cases of lapse, relinquishment or revocation, where there is no prevailing public interest for a different use of the water, incompatible with its use for hydroelectric generation, the competent public entity shall organize a public call for tender for the award for consideration of the concession for a period ranging from 20 to a maximum of 30 years.
In order to ensure operational continuity, the law also governs the methods of transfer ownership of the business unit necessary to operate the concession, including all legal relationships relating to the concession, from the outgoing concession holder to the new concession holder, in exchange for payment of a price to be determined in negotiations between the departing concession holder and the grantor agency, taking due account of the following elements:

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

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

Accordingly, management has decided it could not produce a reasonable and reliable estimate of residual value.

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

Determining the fair value of financial instruments

The fair value of financial instruments is determined on the basis of prices directly observable in the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximize the use of observable market inputs. In rare circumstances were this is not possible, the inputs are estimated by management taking due account of the characteristics of the instruments being measured.

In accordance with IFRS 13, the Group includes a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk, using the method discussed in note 45. Changes in the assumptions made in estimating the input date could have an impact on the fair value recognized for those instruments.

Recovery of deferred tax assets

At December 31, 2017, the consolidated financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years and income components whose deductibility is deferred in an amount whose recovery is considered by management to be highly probable.

The recoverability of such assets is subject to the achievement of future profits sufficient to absorb such tax losses and to use the benefits of the other deferred tax assets.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies and the tax rates applicable at the date of reversal. However, where the Group should become aware that it is unable to recover all or part of recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

Litigation

The Enel Group is involved in various civil, administrative and tax disputes connected with the normal pursuit of its activities that could give rise to significant liabilities. It is not always objectively possible to predict the outcome of these disputes. The assessment of the risks associated with this litigation is based on complex factors whose very nature requires recourse to management judgments, even when taking account of the contribution of external advisors assisting the Group, about whether to classify them as contingent liabilities or liabilities.

Provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made. Note 49 provides information on the most significant contingent liabilities of the Group.

Management judgments

Identification of cash generating units (CGUs)

In application of "IAS 36 - Impairment of assets", the goodwill recognized in the consolidated financial statements of the Group as a result of business combinations has been allocated to individual or groups of CGUs that will benefit from the combination. A CGU is the smallest group of assets that generates largely independent cash inflows.

In identifying such CGUs, management took account of the specific nature of its assets and the business in which it is involved (geographical area, business area, regulatory framework, etc.), verifying that the cash flows of a given group of assets were closely independent and largely autonomous of those associated with other assets (or groups of assets).

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

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

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

Determination of the existence of control

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

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

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

Following such analysis of the existence of control, which had already been done in previous years under the provisions of the then-applicable IAS 27, the Group consolidated certain companies (Emgesa and Codensa) on a line-by-line basis even though it did not hold more than half of the voting rights. That approach was maintained in the assessment carried out in application of IFRS 10 on the basis of the requirements discussed above, as detailed in the attachment "Subsidiaries, associates and other significant equity investments of the Enel Group at December 31, 2017" to these financial statements.

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

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

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

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

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

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

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

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

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

Determination of the existence of significant influence over an associate

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

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

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

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

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

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

> controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
> controls – through ownership or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

In assessing the applicability of these provisions for the Group, management carefully analyzed existing concessions.

On the basis of that analysis, the provisions of IFRIC 12 are applicable to some of the infrastructure of a number of companies in the South America Region that operate in Brazil (essentially Enel Distribución Rio and Enel Distribución Ceará SA).

Related parties

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

Subsidiaries

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

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

Consolidation procedures

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2017 in accordance with the accounting policies adopted by the Parent Company.

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

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

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

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

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

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

Investments in joint arrangements and associates

A joint venture is an entity over which the Group exercises joint control and has rights to the net assets of the arrangement. Joint control is the sharing of control of an arrangement, whereby decisions about the relevant activities require unanimous consent of the parties sharing control.
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over the investee.
The Group's investments in its joint ventures and associates are accounted for using the equity method.
Under the equity method, these investments are initially recognized at cost and any goodwill arising from the difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities at the acquisition date is included in the carrying amount of the investment. Goodwill is not individually tested for impairment.
After the acquisition date, their carrying amount is adjusted to recognize changes in the Group's share of profit or loss of the associate or joint venture. The OCI of such investees is presented as specific items of the Group's OCI.
Distributions received from joint venture and associates reduce the carrying amount of the investments.
Profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.
The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.
After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate or joint venture. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount.
In the case of the Slovak Power Holding BV joint venture, any impairment losses are assessed by determining the recoverable value using the price formula specified in the agreement to sell the 66% stake in Slovenské elektrárne by Enel Produzione to EP Slovakia, which is based on various parameters, including the evolution of the net financial position of SE, developments in energy prices in the Slovakian market, the operating efficiency of SE as measured on the basis of benchmarks defined in the contract and the enterprise value of Mochovce units 3 and 4. This value is compared against the carrying amount of the investment, which is measured on the basis of the results of that formula at the closing date for the transaction of July 28, 2017.
If the investment ceases to be an associate or a joint venture, the Group recognizes any retained investment at its fair value, through profit or loss. Any amounts previously recognized in other comprehensive income in respect of the former associate or joint venture are accounted for as if the Group had directly disposed of the related assets or liabilities.
If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to exercise a significant influence or joint control, the Group continues to apply the equity method and the share of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction is accounted for as if the Group had directly disposed of the related assets or liabilities.
When a portion of an investment in an associate or joint venture meets the criteria to be classified as held for sale, any retained portion of an investment in the associate or joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion classified as held for sale takes place.
Joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. For each joint operation, the Group recognized assets, liabilities, costs and revenue on the basis of the provisions of the arrangement rather than the participating interest held.

Translation of foreign currency items

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

Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.
In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the presentation currency used in the consolidated financial statements are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.
Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized proportionately in the income statement on the disposal (partial or total) of the subsidiary.

Business combinations

Business combinations initiated before January 1, 2010 and completed within that financial year are recognized on the basis of IFRS 3 (2004).
Such business combinations were recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities incurred or assumed, plus costs directly attributable to the acquisition. This cost was allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the cost of the acquisition and the fair value of the net assets acquired pertaining to the shareholders of the Parent Company was recognized as goodwill. Any negative difference was recognized in profit or loss. The value of non-controlling interests was determined in proportion to the interest held by minority shareholders in the net assets. In the case of business combinations achieved in stages, at the date of acquisition any adjustment to the fair value of the net assets acquired previously was recognized in equity; the amount of goodwill was determined for each transaction separately based on the fair values of the acquiree's net assets at the date of each exchange transaction.

Business combinations carried out as from January 1, 2010 are recognized on the basis of IFRS 3 (2008), which is referred to as IFRS 3 (Revised) hereafter.
More specifically, business combinations are recognized using the acquisition method, where the purchase cost (the consideration transferred) is equal to the fair value at the purchase date of the assets acquired and the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.
Costs directly attributable to the acquisition are recognized through profit or loss.
The consideration transferred is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values as at the acquisition date. Any positive difference between the price paid, measured at fair value as at the acquisition date, plus the value of any non-controlling interests, and the net value of the identifiable assets and liabilities of the acquiree measured at fair value is recognized as goodwill. Any negative difference is recognized in profit or loss.
The value of non-controlling interests is determined either in proportion to the interest held by minority shareholders in the net identifiable assets of the acquiree or at their fair value as at the acquisition date.
In the case of business combinations achieved in stages, at the date of acquisition of control the previously held equity interest in the acquiree is remeasured to fair value and any positive or negative difference is recognized in profit or loss.
Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified as an asset or a liability, or as a financial instrument within the scope of IAS 39, is recognized in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS-EU. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.
If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the bu-

siness combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition, restating comparative figures.

Fair value measurement

For all fair value measurements and disclosures of fair value, that are either required or permitted by international accounting standards, the Group applies IFRS 13.
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).
The fair value measurement assumes that the transaction to sell an asset or transfer a liability takes place in the principal market, i.e. the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place in the most advantageous market to which the Group has access, i.e. the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Market participants are independent, knowledgeable sellers and buyers who are able to enter into a transaction for the asset or the liability and who are motivated but not forced or otherwise compelled to do so.
When measuring fair value, the Group takes into account the characteristics of the asset or liability, in particular:

> for a non-financial asset, a fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use;

> for liabilities and own equity instruments, the fair value reflects the effect of non-performance risk, i.e. the risk that an entity will not fulfill an obligation;

> in the case of groups of financial assets and financial liabilities with offsetting positions in market risk or credit risk, managed on the basis of an entity's net exposure to such risks, it is permitted to measure fair value on a net basis.

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

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenses directly attributable to bringing the asset to the location and condition necessary for its intended use.
The cost is also increased by the present value of the estimate of the costs of decommissioning and restoring the site on which the asset is located where there is a legal or constructive obligation to do so. The corresponding liability is recognized under provisions for risks and charges. The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges".
Property, plant and equipment transferred from customers to connect them to the electricity distribution network and/or to provide them with ongoing access to a supply of electricity is initially recognized at its fair value at the time of the transfer.
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the assets themselves. Borrowing costs associated with the purchase/construction of assets that do not meet such requirement are expensed in the period in which they are incurred.
Certain assets that were revalued at the IFRS-EU transition date or in previous periods are recognized at their fair value, which is considered to be their deemed cost at the revaluation date.
Where individual items of major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.
Subsequent costs are recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits associated with the cost incurred to replace a part of the asset will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as incurred.
The cost of replacing part or all of an asset is recognized as an increase in the carrying amount of the asset and is depreciated over its useful life; the net carrying amount of the replaced unit is derecognized through profit or loss.
Property, plant and equipment, net of its residual value, is depreciated on a straight-line basis over its estimated use-

ful life, which is reviewed annually and, if appropriate, adjusted prospectively. Depreciation begins when the asset is available for use.

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

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

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

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

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

Assets to be relinquished free of charge

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

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

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

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

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

Infrastructure used in the service concession arrangement

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

In determining the indemnity, such profitability will be represented by the present value of future cash flows. The infrastructure serving the concessions is owned and available to the concession holder. It is recognized under "Property, plant and equipment" and is depreciated over the useful lives of the assets.

Enel also operates under administrative concessions for the distribution of electricity in other countries (including Spain and Romania). These concessions give the right to build and operate distribution networks for an indefinite period of time.

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

Under a "public-to-private" service concession arrangement within the scope of "IFRIC 12 - Service concession arrangements" the operator acts as a service provider and, in accordance with the terms specified in the contract, it constructs/upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for the period of the concession.

The Group, as operator, does not recognize the infrastructure within the scope of IFRIC 12 as property, plant and equipment and it accounts for revenue and costs relating to construction/upgrade services as discussed in the section "Construction contracts". In particular, the Group measures the consideration received or receivable for the construction/upgrading of infrastructure at its fair value and, depending on the characteristics of the service concession arrangement, it recognizes:

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

If the Group (as operator) has a contractual right to receive an intangible asset (the right to charge users of the public service), borrowing costs are capitalized using the criteria specified in the section "Property, plant and equipment".

During the operating phase of concession arrangements, the Group accounts for operating service payments in accordance with criteria specified in the section "Revenue".

Leases

The Group holds property, plant and equipment and intangible assets for its various activities under lease contracts. These contracts are analyzed on the basis of the circumstances and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease that transfers substantially all the risks and rewards incidental to ownership of the related asset to the lessee. All leases that do not meet the definition of a finance lease are classified as operating leases.

On initial recognition assets held under finance leases are recognized as property, plant and equipment and the related liability is recognized under long-term borrowings. At inception date finance leases are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments due, including the payment required to exercise any purchase option.

The assets are depreciated on the basis of their useful lives. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets.

Payment made under operating lease are recognized as a

cost on a straight-line basis over the lease term.
Although not formally designated as lease agreements, certain types of contract can be considered as such if the fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and if the arrangement conveys a right to use such assets.

Investment property

Investment property consists of the Group's real estate held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods and services.
Investment property is measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.
Investment property, excluding land, is depreciated on a straight-line basis over the useful lives of the assets.
Impairment losses are determined on the basis of criteria discussed below.
The breakdown of the fair value of investment property is detailed in note 45 "Assets measured at fair value". Investment property is derecognized either at the time of its disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets.

Intangible assets

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

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

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, as measured at fair value at the acquisition date, and the value of any non-controlling interests over the net fair value of the acquiree's identifiable assets and liabilities. After initial recognition, goodwill is not amortized, but is tested for re-

coverability at least annually using the criteria discussed in the section "Impairment of non-financial assets". For the purpose of impairment testing, goodwill is allocated, from the acquisition date, to each of the identified cash generating units.
Goodwill relating to equity investments in associates and joint ventures is included in their carrying amount.

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount of any involved asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.
In order to determine the recoverable amount of property, plant and equipment, investment property, intangible assets and goodwill, the Group generally adopts the value-in-use criterion.
The value in use is represented by the present value of the estimated future cash flows generated by the asset in question. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.
The future cash flows used to determine value in use are based on the most recent business plan, approved by the management, containing forecasts for volumes, revenue, operating costs and investments.
These projections cover the next five years. Consequently, cash flows related to subsequent periods are determined on the basis of a long-term growth rate that does not exceed the average long-term growth rate for the particular sector and country.
The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.
If the carrying amount of an asset or of a cash-generating unit to which it is allocated is higher than its recoverable amount, an impairment loss is recognized in profit or loss under "Depreciation, amortization and impairment losses".
Impairment losses of cash generating units are firstly charged against the carrying amount of any goodwill attributed to it and then against the other assets, in proportion to their carrying amount.
If the reasons for a previously recognized impairment loss no longer obtain, the carrying amount of the asset is restored through profit or loss, under "Depreciation, amortization and impairment losses", in an amount that shall not exceed the net carrying amount that the asset would have had if the impairment loss had not been recognized and depreciation or amortization had been performed. The original value of goodwill is not restored even if in subsequent years the reasons for the impairment no longer obtain.
The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets not yet available for use is tested for recoverability annually or more frequently if there is evidence suggesting that the assets may be impaired.
If certain specific identified assets owned by the Group are impacted by adverse economic or operating conditions that undermine their capacity to contribute to the generation of cash flows, they can be isolated from the rest of the assets of the CGU, undergo separate analysis of their recoverability and are impaired where necessary.

Inventories

Inventories are measured at the lower of cost and net realizable value except for inventories involved in trading activities, which are measured at fair value with recognition through profit or loss. Cost is determined on the basis of average weighted cost, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated costs to sell or, where applicable, replacement cost.
For the portion of inventories held to discharge sales that have already been made, the net realizable value is determined on the basis of the amount established in the contract of sale.
Inventories include environmental certificates (green certificates, energy efficiency certificates and CO_2 emissions allowances) that were not utilized for compliance in the reporting period. As regards CO_2 emissions allowances, inventories are allocated between the trading portfolio and the compliance portfolio, i.e. those used for compliance with greenhouse gas emissions requirements. Within the latter, CO_2 emissions allowances are allocated to sub-portfolios on the basis of the compliance year to which they have been assigned.
Inventories also include nuclear fuel stocks, use of which is determined on the basis of the electricity generated.
Materials and other consumables (including energy commodities) held for use in production are not written down if it is expected that the final product in which they will be incorporated will be sold at a price sufficient to enable recovery of the cost incurred.

Construction contracts

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

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

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The stage of completion of the contract in progress is determined, using the cost-to-cost method, as a ratio between costs incurred for work performed to the reporting date and the estimated total contract costs. In addition to initial amount of revenue agreed in the contract, contract revenue includes any payments in respect of variations, claims and incentives, to the extent that it is probable that they will result in revenue and can be reliably measured.

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

Financial instruments

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

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

Financial instruments are classified as follows under IAS 39:

> financial assets and liabilities at fair value through profit or loss (FVTPL);
> held-to-maturity financial assets (HTM);
> loans and receivables;
> available-for-sale financial assets (AFS);
> financial liabilities measured at amortized cost.

Financial assets and liabilities at fair value through profit or loss

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

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

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

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

The carrying amount of trade receivable is reduced through use of an allowance account.

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

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

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

The amount of the cumulative loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss. An impairment loss on an available-for-sale equity investment cannot be reversed.

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

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

Cash and cash equivalents

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

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

Financial liabilities measured at amortized cost

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

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

Derivative financial instruments

A derivative is a financial instrument or another contract:

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

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

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

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

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

Embedded derivatives

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

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

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

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

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

Contracts to buy or sell non-financial items

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

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

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

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

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

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

Derecognition of financial assets and liabilities

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

- the contractual right to receive the cash flows associated with the asset expires;
- the Group has transferred substantially all the risks and rewards associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to pay such cash flows to one or more beneficiaries under a contract that meets the require-

ments established by IAS 39 (the "pass through test");

> the Group has not transferred or retained substantially all the risks and rewards associated with the asset but has transferred control over the asset.

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

Offsetting financial assets and liabilities

The Group offsets financial assets and liabilities when:

> there is a legally enforceable right to set off the recognized amounts; and

> it has the intention of either settling on a net basis, or realizing the asset and settling the liability simultaneously.

Employee benefits

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

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

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

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

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

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

Termination benefits

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

> when the Group can no longer withdraw its offer of benefits; and

> when the Group recognizes a cost for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

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

Provisions for risks and charges

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

periodic adjustment of the present value for the time factor is recognized as a financial expense.
When the Group expects some or all of the expenditure required to extinguish a liability will be reimbursed by a third party, the reimbursement is recognized as a separate asset if such reimbursement is virtually certain.
Where the liability relates to plant decommissioning and/or site restoration, the initial recognition of the provision is made against the related asset and the expense is then recognized in profit or loss through the depreciation of the asset involved.
Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.
In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), the Group recognizes a provision as the lower of the costs of fulfilling the obligation that exceed the economic benefits expected to be received under the contract and any compensation or penalty arising from failure to fulfil it.
Changes in estimates of accruals to the provision are recognized in the income statement in the period in which the changes occur, with the exception of those in respect of the costs of decommissioning, dismantling and/or restoration resulting from changes in the timetable and costs necessary to extinguish the obligation or from a change in the discount rate. These changes increase or decrease the value of the related assets and are taken to the income statement through depreciation. Where they increase the value of the assets, it is also determined whether the new carrying amount of the assets is fully recoverable. If this is not the case, a loss equal to the unrecoverable amount is recognized in the income statement.
Decreases in estimates are recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.
For more information on the estimation criteria adopted in determining liabilities for plant dismantling and site restoration, especially those associated with nuclear power plants or the storage of waste fuel and other radioactive materials, please see the section on the use of estimates.

Government grants

Government grants, including non-monetary grants at fair value, are recognized where there is reasonable assurance that they will be received and that the Group will comply with all conditions attaching to them as set by the government, government agencies and similar bodies whether local, national or international.
When loans are provided by governments at a below-market rate of interest, the benefit is regarded as a government grant. The loan is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying amount of the loan and the funds received. The loan is subsequently measured in accordance with the requirements for financial liabilities.
Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the costs that the grants are intended to compensate.
Where the Group receives government grants in the form of a transfer of a non-monetary asset for the use of the Group, it accounts for both the grant and the asset at the fair value of the non-monetary asset received at the date of the transfer.
Grants related to long-lived assets, including non-monetary grants at fair value, i.e. those received to purchase, build or otherwise acquire non-current assets (for example, an item of property, plant and equipment or an intangible asset), are recognized on a deferred basis under other liabilities and are credited to profit or loss on a straight-line basis over the useful life of the asset.

Environmental certificates

Some Group companies are affected by national regulations governing green certificates and energy efficiency certificates (so-called white certificates), as well as the European "Emissions Trading System".
Green certificates, which now only exist outside of Italy, accrued in proportion to electricity generated by renewable energy plants and energy efficiency certificates accrued in proportion to energy savings achieved that have been certified by the competent authority are treated as non-monetary government operating grants and are recognized at fair value, under other revenue and income, with recognition of an asset under other non-financial assets, if the certificates are not yet credited to the ownership account, or under inventories, if the certificates have already been credited to that account. At the time the certificates are credited to the ownership account, they are reclassified from other assets to inventories.
Revenue from the sale of such certificates are recognized under revenue from sales and services, with a corresponding decrease in inventories.

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

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

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

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

This classification criteria is applicable only when non-current assets (or disposal groups) are available in their present condition for immediate sale and the sale is highly probable.

If the Group is committed to a sale plan involving loss of control of a subsidiary and the requirements provided for under IFRS 5 are met, all the assets and liabilities of that subsidiary are classified as held for sale when the classification criteria are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue

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

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

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

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

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

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

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

> revenue from the transport of electricity and gas is recognized when the services are rendered to distribution customers even if they have not yet been invoiced. That revenue is determined on the basis of the amounts that have actually transited along the distribution network, net of estimated losses. Where provided for in the specific local regulations, such revenue is adjusted to take account of the restrictions and mandatory rates established by the Regulatory Authority for Energy, Networks and the Environment in Italy or the equivalent national organizations in other countries. In particular, in setting restrictions and mandatory rates, each authority covers the costs incurred for investments in the network, the associated remuneration based on an appropriate rate of return on capital and the timing with which those amounts are incorporated in rates;

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

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

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

> revenue from rentals and operating leases is accrued on a straight-line basis in accordance with the substance of the relevant agreement.

Financial income and expense from derivatives

Financial income and expense from derivatives includes:

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

- income and expense from fair value hedge derivatives on interest rate risk;
- income and expense from cash flow hedge derivatives on interest rate and exchange risks.

Other financial income and expense

For all financial assets and liabilities measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income and expense is recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured.

Other financial income and expense also includes changes in the fair value of financial instruments other than derivatives.

Income taxes

Current income taxes

Current income taxes for the period, which are recognized under "Income tax payable" net of payments on account, or under "Tax receivables" where there is a credit balance, are determined using an estimate of taxable income and in conformity with the applicable regulations.

In particular, such payables and receivables are determined using the tax rates and tax laws that are enacted or substantively enacted as at the end of the reporting period.

Current income taxes are recognized in profit or loss with the exception of current income taxes related to items recognized outside profit or loss that are recognized in equity.

Deferred tax items

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are enacted or substantively enacted as at end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.

The recoverability of deferred tax assets is reviewed at each period-end.

Unrecognized deferred tax assets are re-assessed at each reporting date and they are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred taxes are recognized in profit or loss, with the exception of those in respect of items recognized outside profit or loss that are recognized in equity.

Deferred tax assets and deferred tax liabilities are offset against current tax liabilities related to income taxes levied by the same taxation authority that arise at the time of reversal if a legally enforceable right to set-off exists.

Dividends

Dividends are recognized when the unconditional right to receive payment is established.

Dividends and interim dividends payable to a company's shareholders are recognized as changes in equity in the period in which they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

3

Recently issued accounting standards

New accounting standards applied in 2017

The Group adopted the following amendments to existing standards with effect as from January 1, 2017.

- "Amendments to IAS 7 - Disclosure initiative", issued in

January 2016. The amendments apply to liabilities and assets arising from financing activities, which are defined as liabilities and assets for which cash flows were, or will be, classified in the statement of cash flows as "cash flows from financing activities". The amendments require disclosure of changes in such liabilities/assets, distinguishing between cash flow changes and non-cash variations (i.e. variations arising from the effect of changes in foreign exchange rates and changes in fair values).

The application of amendments did not entail substantial changes in the disclosures provided in these consolidated financial statements.

> "Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses", issued in January 2016. The amendments clarify the recognition of deferred tax assets in respect of debt instruments measured at fair value. More specifically, the amendments clarify the requirements for recognizing deferred tax assets for unrealized losses in order to eliminate differences in accounting treatment. The application of amendments did not have an impact on these consolidated financial statements.
> "Annual improvements to IFRSs 2014-2016 cycle", issued in December 2016, limited to the amendments to "IFRS 12 - Disclosure of interests in other entities". The amendments clarify that the provisions governing disclosure under IFRS 12, with the exception of summarized financial information, also apply to interests in entities classified as held for sale. Prior to the amendments, it was not clear whether the provisions of IFRS 12 were applicable to such interests. The application of amendments did not have an impact on these consolidated financial statements.

Accounting standards taking effect at a future date

The following new standards, amendments and interpretations take effect after December 31, 2017.

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

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

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

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

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

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

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

The standard introduces new provisions for financial liabilities designated at 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 framework 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 2017 a transition project involving the three areas of application of the new standard was completed. The individual project areas address the following aspects:

a) "Classification and Measurement": an assessment was conducted of the procedures for classifying financial instruments under IAS 39 compared with the new policies provided for under IFRS 9 (i.e. SPPI test and business model);
b) "Impairment": an analysis was conducted of impaired financial assets, with a focus on trade receivables, which represent the majority of the Group's credit exposure. More specifically, in application of the simplified approach envisaged by the standard, those receivables were sub-divided into specific clusters, taking due account of the applicable legislative and regulatory framework, and the impairment model based on expected losses developed by the Group for collective assessment was applied. An analytical approach was applied to trade receivables that management considers significant on an individual basis and for which more detailed information on the increase in credit risk is available within the simplified model;
c) "Hedge Accounting": specific activities were performed to implement the new hedge accounting model, including effectiveness testing and rebalancing hedge relationships and analysis of the new strategies that can be applied under IFRS 9.

Upon first-time application, the effects of adoption of IFRS 9 for "Classification and Measurement" and "Impairment" will be recognized in Group equity at January 1, 2018, while for "Hedge Accounting", the adoption of the new provisions is prospective, with the exception of the available option of separating currency basis spreads from the hedge relations, which the Group elected to apply retrospectively.

On the basis of available information, the adoption of IFRS 9 as from January 1, 2018 will produce an immaterial decrease in Group equity, net of the tax effect, mainly due to the adoption of the expected loss model.

> "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 enti-

ty 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); the entity 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 that 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 will take effect retrospectively for periods beginning on or after January 1, 2018, with the option of recognizing the effect in equity at January 1, 2018.

In 2017, a project begun in 2016 was completed to identify the possible impact of the standard on the Group's consolidated financial statements. More specifically, the most significant aspects for the consolidated financial statements that will be affected by the new provisions of IFRS 15 regard: (i) revenue in respect of certain grid connection contracts, which was previously recognized in profit or loss at the time of the connection, but under IFRS 15 will be deferred on the basis of the nature of the obligation arising from the contract with the customer; and ii) the capitalization of contract acquisition costs, limited to sales commission paid to agents.

With regard to presentation, the application of IFRS 15 will also entail a limited number of reclassifications in the income statement.

On the occasion of first-time application of the new standard, the Enel Group will elect to recognize the effect of the retrospective recalculation of values in equity at January 1, 2018, for circumstances existing at that date, without restating the figures for previous years presented for comparative purposes. In particular, on the basis of available information, considering the circumstances indicated previously, the adoption of the new IFRS 15 as from January 1, 2018 will decrease Group equity, net of the associated tax effect, by €3.7 billion.

This decrease mainly reflects the redetermination of fees for contracts to connect customers to the grid, partly offset by an increase connected with the capitalization of contract acquisition costs net of the associated amortization.

> "Clarification to IFRS 15 - Revenue from contracts with customers", issued in April 2016, introduces amendments of the standard in order to clarify a number of practical expedients and topics addressed by the Joint Transition Resource Group established by the IASB and the FASB. The aim of these amendments is to clarify a number of provisions of IFRS 15 without modifying the basic principles of the standard. The amendments, which will take effect for periods beginning on or after January 1, 2018, do not affect the estimated potential impacts of the adoption of IFRS 15.

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

  For lessors, IFRS 16 essentially retains the recognition requirements provided for under IAS 17. Accordingly, the lessor shall continue to classify and recognize leases as operating or finance leases. The standard will apply for periods beginning on or after January 1, 2019. The Group is assessing the potential impact of the future application of the standard.

> "IFRS 17 - Insurance contracts", issued in May 2017, essentially defines the principles for the recognition, measurement, presentation and disclosure of insurance and

reinsurance contracts issued by the company, as well as reinsurance contracts held by the company. IFRS 17 replaces IFRS 4, which did not establish a single method for recognizing insurance contracts, with the result that those contracts could be recognized differently in different jurisdictions and, potentially, within the same company.

The new standard:

- requires the disclosure of updated information on the obligations, risks and performance of insurance contracts;
- increases the transparency of financial information provided by insurance companies, giving the users of financial statements greater confidence in their understanding of the insurance industry; and
- introduces a consistent accounting method for all insurance contracts based on a single valuation model.

The standard will take effect, subject to endorsement, for periods beginning on or after January 1, 2021. The Group is assessing the potential impact of the future application of the new standard.

> "Amendments to IFRS 2 - Share-based payment", issued in June 2016. The amendments:

- clarify that the fair value of a share-based transaction settled in cash at the measurement date (i.e. at the grant date, at the close of each accounting period and at the settlement date) shall be calculated by taking account of market conditions (e.g. a target price for the shares) and non-vesting conditions, ignoring service conditions and performance conditions other than market conditions;
- clarify that share-based payments with net settlement for withholding tax obligations should be classified in their entirety as equity-settled transactions (if they would be so classified in the absence of the net settlement feature);
- establish provisions for the accounting treatment of changes in terms and conditions that result in a change in the classification of the transaction from cash-settled to equity-settled.

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

> "Amendments to IFRS 4: Applying IFRS 9 - Financial instruments with IFRS 4 - Insurance contracts, issued in September 2016. The amendments:

- permit insurers whose activities are predominantly connected with insurance to postpone the application of IFRS 9 until 2021 ("temporary exemption"); and
- permits insurers, until the future issue of the new accounting standard for insurance contracts, to recognize the volatility that should be caused by the application of IFRS 9 in other comprehensive income rather than through profit or loss (the "overlay approach").

The amendments will take effect for periods beginning on or after January 1, 2018. The Enel Group has decided not to exercise the option for the temporary exemption for the application of IFRS 9 to the insurance sector.

> "Amendments to IFRS 9: Prepayment features with negative compensation", issued in October 2017. The amendments introduce a narrow-scope exception to the provisions of IFRS 9 for certain financial assets that would otherwise have contractual cash flows represented solely by payments of principal and interest but do not meet that condition only because the contract contains a prepayment option. More specifically, the amendments establish that financial assets with a contractual clause that permits (or requires) the issuer to prepay a debt instrument or that permits (or requires) the holder to put a debt instrument back to the issuer before maturity can be measured at amortized cost or at fair value through other comprehensive income, subject to assessment of the business model under which the assets are held, if the following conditions are satisfied:

- the entity acquires or originates the financial asset at a premium or discount to the contractual par amount;
- the prepayment amount substantially represents the contractual par amount and accrued (but unpaid) contractual interest, which may include reasonable additional compensation for the early termination of the contract; and
- when the entity initially recognizes the financial asset, the fair value of the prepayment feature is insignificant.

In 2017 the IASB discussed the issue of the modification or exchange of a financial liability that does not result in derecognition of the liability. The discussion resulted in the addition of a section to the Basis for Conclusions of "IFRS 9 - Another issue: Modification or exchange of a financial liability that does not result in derecognition".

The IASB concluded that the requirements under IFRS 9 for adjusting the amortized cost of a financial liability when a modification (or exchange) does not result in the derecognition of the financial liability are consistent with the requirements for adjusting a financial asset when a modification does not result in the derecognition of the financial asset.

The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2019. Early application is permitted.

> "Amendments to IAS 28 - Long-term interests in associates and joint ventures", issued in October 2017. The amendments clarify that an entity shall apply the provisions of "IFRS 9 - Financial instruments" to long-term interests in associates and joint ventures for which the equity method is not used. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2019. The Group is assessing the potential impact of the future application of the amended standard.

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

> "IFRIC 22 - Foreign currency transactions and advance consideration", issued in December 2016; the interpretation clarifies that, for the purpose of determining the exchange rate to be used in the initial recognition of an asset, expense or income (or part of it) the date of the transaction is that on which the entity recognizes any non-monetary asset (liability) in respect of advance consideration paid (received). If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group is assessing the potential impact of the future application of the amended standard.

> "IFRIC 23 - Uncertainty over income tax treatments", issued in June 2017. The interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 in the case of uncertainty over income tax treatments. The uncertainty may regard current or deferred taxation. The interpretation states that the entity shall recognize a tax liability or asset in conditions of uncertainty if it is probable that a taxation authority will accept an uncertain tax treatment, assuming that the authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. The interpretation also requires an entity to reassess a judgement or estimate in the presence of facts and circumstances that might change an entity's conclusions about the acceptability of a tax treatment or the entity's estimate of the effect of uncertainty, or both. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2019. The Group is assessing the potential impact of the future application of the provisions.

> "Annual improvements to IFRSs 2014-2016 cycle", issued in December 2016, limited to the amendments of the following standards:
  - "IFRS 1 - First-time adoption of International Financial Reporting Standards"; the amendments eliminated the "short-term exemptions from IFRSs" regarding the transition to IFRS 7, IAS 19 and IFRS 10. These transition provisions were only available for past reporting periods and are therefore now no longer applicable. The amendments will take effect for periods beginning on or after January 1, 2018;
  - "IAS 28 - Investments in associates and joint ventures"; the amendments clarify that the option available to a venture capital organization (or a mutual fund, unit trust and similar entities, including investment-linked insurance funds) to measure an investment in an associate or joint venture at fair value through profit or loss, those entities shall make this election at initial recognition separately for each associate or joint venture. Similar clarifications were made for entities that are not investment entities and that, when they apply the equity method, elect to retain the fair value measurement applied by the investment entities that represent their interests in associates or joint ventures. The amendments will apply retrospectively for periods beginning on or after January 1, 2018.

  The new provisions contain formal modifications and clarifications of existing standards that are not expected to have a significant impact for the Group.

> "Annual improvements to IFRSs 2015-2017 cycle", issued in December 2017; the document contains formal modifications and clarifications of existing standards. Each of the amendments will apply, subject to endorsement, for periods beginning on or after January 1, 2019. Early

application is permitted. More specifically, the following standards were amended:

- "IFRS 3 - Business combinations"; the amendments clarify that when a joint operator obtains control of a business that is a joint operation, it shall remeasure its previously held interest in the joint operation at fair value at the acquisition date;
- "IFRS 11 - Joint arrangements"; the amendments clarify that a party that participates in, but does not have joint control of, a joint operation and obtains joint control of the joint operation that constitutes a business as defined in IFRS 3 is not required to remeasure previously held interests in the joint operation;
- "IAS 12 - Income taxes"; the amendments clarify that an entity shall recognize the income tax consequences of dividends (as defined in IFRS 9) when it recognizes a liability to pay a dividend in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated distributable profits;
- "IAS 23 - Borrowing costs"; the amendments clarify that an entity shall include borrowings made specifically for the purpose of obtaining a qualifying asset outstanding when the asset is ready for its intended use or sale in the generic borrowings of the entity.

The Group is assessing the potential impact of the future application of the provisions.

4

Restatement of comparative disclosures

The figures presented in the comments and tables of the notes to the financial statements are consistent and comparable between 2016 and 2017. No restatements of the comparative disclosures were required.

5

Main changes in the scope of consolidation

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

2016

> Disposal, completed in early March 2016, of **Compostilla Re**, which at December 31, 2015 had been classified as "held for sale". The sale price was €101 million (the company also held liquid assets of about €111 million) and generated a gain of about €19 million;

> disposal, on May 1, 2016, of 65% of **Drift Sand Wind Project**, a company operating in the wind generation sector in the United States. The sale price was €72 million and generated a gain of about €2 million and a remeasurement at fair value of the remaining 35% of about €4 million;

> disposal, completed on July 13, 2016, of **Enel Longanesi**, which held the Italian assets (composed of 21 applications for onshore and offshore exploration permits and exploration permits) in the upstream gas sector. The maximum sales price is €30 million, of which about €7 million were collected immediately, while the right to receive the remainder (in multiple tranches) is subject to a number of conditions, such as the start of production at the Longanesi gas field in Emilia-Romagna, scheduled for 2019. No capital losses were recognized through profit or loss given that its value had already been adjusted to estimated realizable value;

> disposal, on July 28, 2016, of 50% of **Slovak Power Holding ("SPH")**, which in turn holds 66% of **Slovenské elektrárne ("SE")**. More specifically, Enel Produzione finalized the disposal to EP Slovakia, a subsidiary of Energetický a průmyslový holding ("EPH"), of 50% of SPH in execution of the contract agreed on December 18, 2015 between Enel Produzione and EP Slovakia. The total price for the two phases, equal to €750 million (of which €150 million paid immediately in cash), is subject to a price adjustment mechanism, which will be calculated by independent experts and applied at the closing of the second phase on the basis of a number of parameters, including the evolution of the net financial position of SE,

developments in energy prices in the Slovakian market, the operating efficiency of SE measured on the basis of benchmarks defined in the contract and the enterprise value of Mochovce units 3 and 4. Accordingly, the financial receivable generated by the disposal is measured at fair value through profit or loss. The same parameters described above were used in determining the recoverable value of the interest in the SPH joint venture;

> acquisition of control, on October 1, 2016, of **Distribuidora Eléctrica de Cundinamarca ("DEC")**, previously accounted for using the equity method, through the merger of DEC into Codensa (which had already held 49%);
> loss of control, on November 21, 2016, following changes in governance arrangements and the disposal of an interest of 1%, for €12 million, of **EGPNA Renewable Energy Partners ("EGPNA REP")**, a developer of renewables generation projects in the United States. As from that date it has been accounted for using the equity method. The transaction involved the recognition of a gain of €2 million and the recognition of income from remeasurement at fair value of the 50% still held by EGPNA of €95 million;
> disposal, on November 30, 2016, of 100% of **Enel France**, a thermal generation company in France at a price of about zero, generating a loss of €4 million;
> loss of control, on December 20, 2016, of **Enel OpEn Fiber** (now OpEn Fiber - OF) following a capital increase by Enel and CDP Equity ("CDPE"), after which Enel and CDPE hold an equal stake in OF, which is therefore accounted for using the equity method;
> disposal, on December 28, 2016, of the **Cimarron** and **Lindahl** wind farms to the EGPNA REP joint venture, the starting point of a new industrial growth strategy founded on a less capital-intensive "Build, Sell and Operate" approach intended to accelerate the development of project pipelines at the global level. The loss of control generated a gain of €37 million;
> disposal, on December 30, 2016, of 100% of **Marcinelle Energie**, a thermal generation company in Belgium, for a total of about €36,5 million, all of which has been paid. During 2016, the net asset value of Marcinelle was adjusted to its estimated realizable value with the recognition of an impairment loss of about €51 million. The sales price is subject to customer price adjustments that include an earn-out clause.

2017

> Acquisition, on January 10, 2017, of 100% of **Demand Energy Networks**, a company headquartered in the United States specialized in software solutions and smart electricity storage systems;
> acquisition, on February 10, 2017, of 100% of **Más Energía**, a Mexican company operating in the renewable energy sector;
> acquisition, on February 14, 2017, and May 4, 2017, of 94.84% and 5.04% respectively (for a total of 99.88%) of **Enel Distribuição Goiás (formerly CELG-D)**, an electricity distribution company operating in the Brazilian state of Goiás. For more details, see note 5.1 below;
> acquisition, on May 16, 2017, of 100% of **Tynemouth Energy Storage**, a British company operating in the electricity storage sector;
> acquisition, on June 4, 2017, of 100% of **Amec Foster Wheeler Power (now Enel Green Power Sannio)**, a company that owns two wind plants in the province of Avellino;
> acquisition, on August 7, 2017, of 100% of the **EnerNOC Group** following the acceptance of the EGPNA offer to the previous shareholders. For more details, see note 5.2;
> acquisition, on October 25, 2017, of 100% of **eMotorWerks**, a US company operating in electric mobility management systems. For more details, see note 5.3;
> disposal, in December 2017, by Enel Green Power North America using a cash equity agreement, of 80% of the Class A securities of the **EGPNA subsidiary Rocky Caney Wind**. The total price in the transaction was $233 million, generating a capital gain of €4 million.

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

> disposal, on February 29, 2016, of the remaining interest in **Hydro Dolomiti Enel**, a company operating in the hydroelectric generation sector in Italy. The sales price was initially estimated at €335 million. Subsequently, following specification of a price adjustment (a negative €22 million) in application of the contractual price formula updated on the basis of the final disposal accounts, a capital gain of €124 million was recognized;
> on March 31, 2016, the non-proportional demerger of **Enel Green Power** took effect, following which – with

a capital increase by Enel SpA as part of the demerger – the Group increased its stake in the company from 68.29% to 100%, with the consequent reduction of non-controlling interests;

- on May 3, 2016, Enel Green Power acquired the remaining 40% of **Maicor Wind**, a company operating in the wind generation sector in Italy, thus becoming its sole shareholder;
- on July 27, 2016, Enel Green Power International, a wholly-owned subsidiary of Enel, sold 60% of **Enel Green Power España ("EGPE")** to Endesa Generación, a wholly-owned subsidiary of Endesa, which as it already held the other 40% of EGPE became its sole shareholder. In the consolidated financial statements, the transaction produced a decrease in the interest pertaining to the Group (from 88.04% to 70.10%) in the results of EGPE as from the time the operation took effect;
- merger, on December 1, 2016, into **Enel Américas** of Endesa Américas and Chilectra Américas, companies created with the demerger of Enersis, Endesa Chile and Chilectra. As the combined effect of exchange ratios between shares and the exercise of the right of withdrawal by some shareholders of the companies involved in the transaction, the percentage interest in the companies held directly or indirectly by Enel Américas changed;
- acquisition, on October 5, 2017, of 7.7% of **Enel Distribución Perú** in a stock market transaction for a price of $80 million.

5.1 Acquisition of Enel Distribuição Goiás (formerly CELG-D)

On February 14, 2017, Enel Brasil finalized the acquisition of 94.84% of Enel Distribuição Goiás (formerly CELG-D), an electricity distribution company operating in the Brazilian state of Goiás under a concession valid until 2045. The remaining interest in Enel Distribuição Goiás was offered to current and retired employees using a procedure under which Enel Brasil guaranteed the acquisition of any shares not purchased by those employees and retirees. The procedure closed on May 4, 2017 and enabled the Group to acquire an additional 5.04% of Enel Distribuição Goiás, giving it a total holding of 99.88%. The price was paid entirely in cash. During the year, the company completed the allocation of the purchase price, determining the definitive fair value of the assets and liabilities acquired.

The main adjustments of the carrying amount essentially regarded the recognition of intangible assets (in particular, those in respect of concession rights) and the associated tax effects, taking account of the impact of the reverse merger of Enel Distribuição Goiás into Enel Investimentos. In view of the characteristics of the concession arrangements under which it operates, the distribution activity performed by the company falls within the scope of application of IFRIC 12.

Determination of goodwill

Millions of euro

Net assets acquired before allocation (1)	**(278)**
Adjustments to allocate purchase price:	
- intangible assets	1,234
- deferred tax liabilities	(161)
- employee benefit obligations	(40)
- other adjustments	(64)
- non-controlling interests	(1)
Net assets acquired after allocation	**690**
Purchase price for 94.84%	665
Purchase price for additional 5.04%	25
Cost of the acquisition	**690**
Goodwill	-

(1) Net assets in proportion to Enel's stake of 99.88%.

Accordingly, the accounts at the acquisition date were as follows:

Accounts of Enel Distribuição Goiás as at the acquisition date

Millions of euro	Carrying amount before February 14, 2017	Adjustments for purchase price allocation	Carrying amount as at February 14, 2017
Property, plant and equipment	13	-	13
Intangible assets	572	1,234	1,806
Other non-current assets	318	(34)	284
Trade receivables	238	-	238
Inventories	7	-	7
Other current assets	132	(64)	68
Cash and cash equivalents	9	-	9
Borrowings	(326)	81	(245)
Employee benefits	(43)	(40)	(83)
Deferred tax liabilities	-	(161)	(161)
Other non-current liabilities	(161)	(17)	(178)
Provisions for risks and charges	(216)	(11)	(227)
Trade payables	(446)	(4)	(450)
Other current liabilities	(375)	(15)	(390)
Non-controlling interests	-	(1)	(1)
Net assets acquired	**(278)**	**968**	**690**

Enel Distribuição Goiás contributed €1,359 million in revenue and €37 million in operating income to 2017 results. Enel Distribuição Goiás is part of the Brazil CGU.

5.2 Acquisition of EnerNOC

On August 7, 2017, Enel Green Power North America ("EGPNA") completed the acquisition of 100% of the EnerNOC Group. The transaction took place in two stages: in the first stage, EGPNA acquired 71.61% of EnerNOC's outstanding shares at a price of $7.67 per share in cash following an offer to shareholders for at least a majority interest in EnerNOC. Following the successful offer, EGPNA completed the acquisition by acquiring the shares of the other shareholders at the same per share price and obtaining a 100% ownership interest in the company. The price was paid entirely in cash. Here too the company completed the purchase price allocation process during the year, determining the definitive fair value of the assets and liabilities acquired: with an acquisition cost of €212 million, the net assets acquired were determined as follows.

Determination of goodwill

Millions of euro	
Net assets acquired before allocation	**(29)**
Adjustments to allocate purchase price:	
- intangible assets	142
- existing goodwill	(27)
- deferred tax liabilities	(68)
- other adjustments	(2)
Net assets acquired after allocation	**16**
Cost of the acquisition	**212**
(of which paid in cash)	*212*
Goodwill	196

The goodwill was mainly recognized in respect of the synergies that are expected to be generated by the combination:

Accounts of the EnerNOC Group as at the acquisition date

Millions of euro	Carrying amount before August 7, 2017	Adjustments for purchase price allocation	Carrying amount as at August 7, 2017
Property, plant and equipment	19	-	19
Intangible assets	26	142	168
Goodwill	27	169	196
Other non-current assets	2	-	2
Trade receivables	65	-	65
Cash and cash equivalents	68	-	68
Other current assets	17	-	17
Borrowings	(90)	-	(90)
Deferred tax liabilities	-	(68)	(68)
Other non-current liabilities	(7)	-	(7)
Trade payables	(67)	-	(67)
Other current liabilities	(89)	(2)	(91)
Net assets acquired	**(29)**	**241**	**212**

EnerNOC contributed €146 million in revenue and €8 million in operating income to 2017 results. EnerNOC is part of the North America - Enel X CGU.

5.3 Acquisition of eMotorWerks

On October 25, 2017, EnerNOC acquired the California-based eMotorWerks, a leading supplier of electric vehicle charging stations, called JuiceBox, and the owner of JuiceNet, an Internet of Things (IoT) platform for the smart management of EV charging and other distributed energy storage facilities.
The price for the acquisition was €130 million, of which €31 million paid in cash at the time of the acquisition, while the remainder of €99 million was estimated on the basis of the price adjustment agreements between the parties. In the final months of the year, the company completed the purchase price allocation process, determining the definitive fair value of the assets and liabilities acquired: with an acquisition cost of €130 million, the net assets acquired were determined as follows.

Determination of goodwill

Millions of euro	
Net assets acquired before allocation	**-**
Adjustments to allocate purchase price:	
- intangible assets	49
- deferred tax liabilities	(12)
Net assets acquired after allocation	**37**
Cost of the acquisition	**130**
(of which paid in cash)	*31*
Goodwill	93

The goodwill was mainly recognized in respect of the synergies that are expected to be generated by the combination.

Accounts of the eMotorWerks Group as at the acquisition date

Millions of euro	Carrying amount before October 25, 2017	Adjustments for purchase price allocation	Carrying amount as at October 25, 2017
Intangible assets	-	49	49
Goodwill	-	93	93
Other non-current assets	1	-	1
Inventories	1	-	1
Deferred tax liabilities	-	(12)	(12)
Other non-current liabilities	(1)	-	(1)
Trade payables	(1)	-	(1)
Net assets acquired	**-**	**130**	**130**

eMotorWerks contributed €2 million in revenue and a €1 million operating loss to 2017 results. eMotorWerks is part of the North America - Enel X CGU.

5.4 Other minor acquisitions

Determination of goodwill

Millions of euro	Demand Energy Networks	Más Energía	Tynemouth Energy Storage	Amec Foster Wheeler Power (now Enel Green Power Sannio)	Azovskaya WPS and Windlife Kola Vetro
Property, plant and equipment	-	-	2	46	-
Intangible assets	30	-	-	-	-
Deferred tax assets	6	-	-	-	-
Cash and cash equivalents	2	-	-	10	2
Trade receivables	-	-	-	1	-
Other current assets	1	-	-	7	-
Medium/long-term borrowings	-	-	-	(29)	-
Deferred tax liabilities	(10)	-	-	-	-
Trade payables	(2)	(3)	-	(1)	-
Other current liabilities	(2)	-	-	(19)	(2)
Net assets acquired	**25**	**(3)**	**2**	**15**	**-**
Cost of the acquisition	**38**	**8**	**5**	**10**	**2**
(of which paid in cash)	*30*	*8*	*4*	*10*	*2*
Goodwill/(Badwill)	13	11	3	(5)	-

The provisional allocation of the purchase price was completed for all of these acquisitions during the year.

6

Segment information

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

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

Segment information for 2017 and 2016

Results for 2017 [1]

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Revenue from third parties	37,900	19,940	13,126	2,374	1,185	96	18	74,639
Revenue from transactions with other segments	881	54	28	37	2	-	(1,002)	-
Total revenue	**38,781**	**19,994**	**13,154**	**2,411**	**1,187**	**96**	**(984)**	**74,639**
Total costs	32,455	16,434	8,976	1,868	430	39	(638)	59,564
Net income/(expense) from commodity contracts measured at fair value	537	13	26	-	2	-	-	578
Depreciation and amortization	1,769	1,562	1,149	189	202	40	20	4,931
Impairment losses	626	461	134	83	4	2	1	1,311
Reversals of impairment losses	(2)	(292)	(49)	(35)	-	-	(3)	(381)
Operating income	**4,470**	**1,842**	**2,970**	**306**	**553**	**15**	**(364)**	**9,792**
Capital expenditure	**1,812**	**1,105**	**3,002**	**307** [2]	**1,802** [3]	**30**	**72**	**8,130**

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €44 million regarding units classified as "held for sale".
(3) Does not include €325 million regarding units classified as "held for sale".

Results for 2016 [1]

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	36,091	18,831	10,739	3,618	1,122	29	162	70,592
Revenue from transactions with other segments	954	122	29	180	3	-	(1,288)	-
Total revenue	**37,045**	**18,953**	**10,768**	**3,798**	**1,125**	**29**	**(1,126)**	**70,592**
Total costs	30,161	15,522	7,221	3,030	291	15	(1,057)	55,183
Net income/(expense) from commodity contracts measured at fair value	(266)	131	9	(6)	(1)	-	-	(133)
Depreciation and amortization	1,698	1,677	952	246	249	12	56	4,890
Impairment losses	650	359	442	248	19	7	1	1,726
Reversals of impairment losses	-	(240)	(1)	(18)	-	-	(2)	(261)
Operating income	**4,270**	**1,766**	**2,163**	**286**	**565**	**(5)**	**(124)**	**8,921**
Capital expenditure	**1,894** [2]	**1,147**	**3,069**	**265** [3]	**1,832**	**304**	**41**	**8,552**

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

Financial position by segment

At December 31, 2017

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Property, plant and equipment	25,935 [1]	23,783	17,064	3,052	5,800	749	54	76,437
Intangible assets	1,358	15,662	11,857	731	838	115	34	30,595
Trade receivables	10,073	2,340	2,432	337	193	29	(856)	14,548
Other	3,033	1,697	954	194	377	10	(308)	5,957
Operating assets	**40,399** [1]	**43,482**	**32,307**	**4,314** [2]	**7,208** [3]	**903**	**(1,076)**	**127,537**
Trade payables	6,847	2,738	2,790	426	782	60	(837)	12,806
Sundry provisions	2,843	3,592	1,325	101	29	20	527	8,437
Other	7,170	3,225	2,451	297	254	74	(244)	13,227
Operating liabilities	**16,860**	**9,555**	**6,566**	**824** [4]	**1,065** [5]	**154**	**(554)**	**34,470**

(1) Of which €4 million regarding units classified as "held for sale".
(2) Of which €141 million regarding units classified as "held for sale".
(3) Of which €1,675 million regarding units classified as "held for sale".
(4) Of which €74 million regarding units classified as "held for sale".
(5) Of which €145 million regarding units classified as "held for sale".

At December 31, 2016

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Property, plant and equipment	25,963	24,158	17,411	3,048	4,831	780	80	76,271
Intangible assets	1,314	15,653	11,045	743	633	113	(16)	29,485
Trade receivables	9,437	2,243	1,833	317	111	18	(453)	13,506
Other	3,373	1,461	515	179	41	2	(98)	5,473
Operating assets	**40,087** (1)	**43,515**	**30,804**	**4,287**	**5,616** (2)	**913**	**(487)**	**124,735**
Trade payables	7,605	2,155	2,445	374	490	58	(439)	12,688
Sundry provisions	3,122	4,096	1,039	127	25	18	572	8,999
Other	7,126	3,042	1,980	305	210	54	209	12,926
Operating liabilities	**17,853**	**9,293**	**5,464**	**806**	**725**	**130**	**342**	**34,613**

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

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

Millions of euro	**at Dec. 31, 2017**	at Dec. 31, 2016
Total assets	**155,641**	**155,596**
Equity investments accounted for using the equity method	1,598	1,558
Non-current financial assets	4,002	3,892
Long-term tax receivables included in other non-current assets	260	301
Current financial assets	4,614	3,053
Derivatives	3,011	5,554
Cash and cash equivalents	7,021	8,290
Deferred tax assets	6,354	6,665
Income tax receivables	577	879
Long-term tax receivables included in other current assets	517	664
Financial and tax assets of assets held for sale	150	5
Segment assets	**127,537**	**124,735**
Total liabilities	**103,480**	**103,021**
Long-term borrowings	42,439	41,336
Short-term borrowings	1,894	5,372
Current portion of long-term borrowings	7,000	4,384
Other current financial liabilities	954	1,264
Derivatives	5,258	5,854
Deferred tax liabilities	8,348	8,768
Income tax payable	284	359
Other tax payables	1,323	1,071
Financial and tax liabilities included in disposal groups classified as "held for sale"	1,510	-
Segment liabilities	**34,470**	**34,613**

Revenue

7.a Revenues from sales and services - *€72,664 million*

Millions of euro

	2017	2016	Change	
Revenue from the sale of electricity	43,433	42,337	1,096	2.6%
Revenue from the transport of electricity	9,973	9,587	386	4.0%
Fees from network operators	900	557	343	61.6%
Transfers from institutional market operators	1,635	1,462	173	11.8%
Revenue from the sale of natural gas	3,964	3,876	88	2.3%
Revenue from the transport of natural gas	570	563	7	1.2%
Revenues from fuel sales	8,340	7,028	1,312	18.7%
Connection fees to electricity and gas networks	800	814	(14)	-1.7%
Revenue from the sale of environmental certificates	566	560	6	1.1%
Revenue from other sales and services	2,483	1,820	663	36.4%
Total	**72,664**	**68,604**	**4,060**	**5.9%**

In 2017, "Revenue from the sale of electricity" came to €43,433 million (€42,337 million for 2016), including €31,418 million in revenue from electricity sales to end users (€29,101 million for 2016), €8,820 million in revenue from wholesale electricity sales (€11,009 million for 2016), and €3,195 million in revenue from the trading of electricity (€2,227 million for 2016). The increase in revenue from electricity sales to end users and for the trading of electricity, which was partially offset by wholesale electricity sales, was due mainly to the increase in volumes handled within a landscape of recovering average sales prices as well as to the change in exchange rates. The overall change in revenue from the sale of electricity was also negatively impacted by the change in consolidated companies, as the increase in revenue related to the acquisition of Enel Distribuição Goiás in the amount of €1,042 million was more than offset by the reduction in revenue due to the deconsolidation of Slovenské elektrárne (€1,225 million), EGPNA REP (€152 million), Marcinelle Energie (€102 million), and Enel France (€97 million).

"Revenue from the transport of electricity" came to €9,973 million in 2017, an increase of €386 million, which was mainly concentrated in Spain, South America and Italy. In Spain, the increase in transport revenue was related to the use of new parameters for calculating transport rates as defined by the ministerial Decree proposed by the Ministry for Tourism and Commerce.

In South America, the increase in transport revenue was due mainly to the increase in average rates, greater quantities transported, and the Enel Distribuição Goiás acquisition. In Italy, the increase in transport revenue was due to the greater volumes transported on the free market. However, this effect was largely offset by the reduction in distribution rates and in balancing mechanisms (ARERA Resolution 654/2015, as amended, regarding regulation of electricity transmission, distribution and metering rates for the 2016-2023 regulatory period) and the reduction in revenue related to system charges.

In 2017, revenue related to "Transfers from institutional market operators" came to €1,635 million, up €173 million compared with the previous year. This increase is essentially attributable to the Spanish companies, in the amount of €200 million, and due to the increase in generation from liquid fuels and the associated prices, for which the Group has the right to reimbursements. This effect was partially offset by the reduction in revenue from contributions received for the generation of renewable energy, by Enel Green Power in the amount of €35 million, due to the expiration of incentives related to certain geothermal and hydroelectric plants.

"Revenue from the sale of natural gas" for 2017, which totaled €3,964 million (€3,876 million in 2016), increased by €88 million over the previous year. This increase was essentially due to the increase in revenue in Iberia, in the amount of €131 million, as a result, in particular, of the increase in quantities sold and of a slight increase in average per-unit prices compared with 2016, which was partially offset by a reduction in revenue due to the deconsolidation of Marcinelle Energie in the amount of €39 million.

"Revenue from the transport of natural gas" totaled €570 million, increasing by €7 million (+1.2%) due above all to the greater quantities transported in Italy.

Revenue from the sale of fuels, in the amount of €8,340 million, increased by €1,312 million related mainly to the sale of natural gas. In 2017, this included the sale of natural gas, in the amount of €8,291 million (€6,953 million in 2016) and €49 million for the sale of other fuels (€75 million in 2016).

Finally, "Revenue from the sale of environmental certificates" increased by €6 million due to the increase in sales of CO_2 emission rights, in the amount of €22 million, and of energy efficiency certificates, in the amount of €8 million, which was partially offset by a decrease of €24 million in sales of green certificates.

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

Millions of euro

	2017	2016
Italy	27,935	27,516
Europe		
Iberia	19,032	17,953
France	1,333	1,001
Switzerland	135	367
Germany	2,244	1,880
Austria	290	10
Slovenia	39	29
Slovakia	54	660
Romania	1,067	996
Greece	58	60
Bulgaria	9	9
Belgium	46	416
Czech Republic	-	382
Hungary	472	335
Russia	1,128	961
Netherlands	4,063	3,554
United Kingdom	648	1,008
Other European countries	82	144
Americas		
United States	693	367
Canada	-	-
Mexico	359	144
Brazil	4,687	2,536
Chile	3,473	3,510
Peru	1,167	1,215
Colombia	2,103	2,028
Argentina	1,364	1,051
Other South American countries	14	156
Other		
Africa	79	28
Asia	90	288
Total	**72,664**	**68,604**

7.b Other revenue and income - *€1,975 million*

Millions of euro

	2017	2016	Change	
Operating grants	40	22	18	81.8%
Grants for environmental certificates	878	536	342	63.8%
Capital grants (electricity and gas business)	21	19	2	10.5%
Sundry reimbursements	361	241	120	49.8%
Gains on disposal of subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	159	399	(240)	-60.2%
Gains on remeasurement at fair value after changes in control	-	99	(99)	-
Gains on the disposal of property, plant and equipment, and intangible assets	43	65	(22)	-33.8%
Service continuity bonuses	66	51	15	29.4%
Other revenue	407	556	(149)	-26.8%
Total	**1,975**	**1,988**	**(13)**	**-0.7%**

"Grants for environmental certificates" increased by €342 million compared with the previous year due essentially to the increase in grants for energy efficiency certificates, in the amount of €351 million, which was partially offset by a reduction in grants for green certificates in the amount of €9 million.

"Sundry reimbursements" concern reimbursements from customers and suppliers totaling €165 million (€184 million in 2016) and insurance indemnities in the amount of €196 million (€57 million in 2016). The increase in revenue from compensation for damages essentially refers to the arbitration initiated by the Group related to the Chucas wind farm, for which the Group was awarded €100 million from the Instituto Costarricense de Electricidad (ICE) and the Enel Américas Group was awarded €41 million.

Gains on disposals, in the amount of €159 million in 2017, decreased by €240 million from 2016 and mainly includes the gain of €143 million on the sale of the equity investment in the Chilean firm Electrogas.

In 2016, this aggregate mainly concerned the following transactions:

> the gain on the sale of GNL Quintero (an associated company in which the Group held a 20% interest) in the amount of €173 million;
> the gain of €124 million on the sale of Hydro Dolomiti Enel;
> the gain of €35 million recognized by Enel Green Power Kansas on the sale of its subsidiaries Cimarron and Lindhal;
> the recognition of a price adjustment related to the sale of the Portuguese assets in 2015 in the amount of €30 million.

In 2017, there were no "Gains on remeasurement at fair value after changes in control", whereas this aggregate came to €99 million for the prior year.

In 2016, these gains included €95 million for the adjustment to the present value of the assets and liabilities of the Group following the loss in control that took place with the change in governance and the consequent loss of control over EGPNA REP.

Other revenue in the amount of €407 million (€556 million in 2016) decreased by €149 million from the previous year. This decrease is mainly attributable to:

> the reduction of €94 million in lease payments related essentially to Enel Américas;
> the decrease of €50 million in other gains and revenue, €35 million of which related to Renovables de Guatemala;
> the reduction of €34 million in other revenue related to the electricity business, €23 million of which was related to the Enel Américas Group and €11 million to the deconsolidation of Slovenské elektrárne.

Costs

8.a Electricity, gas and fuel purchases - *€36,039 million*

Millions of euro

	2017	2016	Change	
Electricity	20,011	18,514	1,497	8.1%
Gas	12,654	10,514	2,140	20.4%
Nuclear fuel	137	165	(28)	-17.0%
Other fuels	3,237	2,846	391	13.7%
Total	**36,039**	**32,039**	**4,000**	**12.5%**

Purchases of "Electricity" totaled €20,011 million in 2017, increasing by €1,497 million over 2016 (8.1%). These costs include purchases made by way of bilateral agreements on national and international markets in the amount of €7,494 million (€6,801 million in 2016), energy purchases negotiated on the power exchange in the amount of €6,444 million (€4,418 million in 2016), and other purchases made on local and international markets and within the scope of ancillary and balancing services totaling €6,073 million (€7,295 million on 2016).

As such, the increase in costs was mainly due to the increase in purchases on the power exchange (particularly in Italy, Iberia and South America, the latter of which mainly due to the consolidation of Enel Distribuição Goiás beginning in February 2017). These effects were partially offset by a reduction of €1,222 million in purchases of other types, essentially related to the reduction in volumes and in prices of Country Italy and to the effect of the change in consolidated companies with the deconsolidation of Slovenské elektrárne.

Purchases of "Gas" increased by €2,140 million due essentially to the increase in the price of gas purchased from third parties. This change reflects the increase in average costs in terms of both price and quantity, in addition to the fact that, in 2016, this aggregate benefitted from the greater reductive effects of price-review agreements for a number of provision contracts than in 2017.

Purchases of "Other fuels" increased by €391 million, to €3,237 million in 2017, mainly due to the increase in consumption within a context of rising prices.

8.b Services and other materials - *€17,982 million*

Millions of euro

	2017	2016	Change	
Transmission and transport	9,840	9,448	392	4.1%
Maintenance and repairs	1,128	1,169	(41)	-3.5%
Telephone and postal costs	199	190	9	4.7%
Communication services	127	113	14	12.4%
IT services	627	442	185	41.9%
Leases and rentals	525	541	(16)	-3.0%
Other services	3,656	3,782	(126)	-3.3%
Other materials	1,880	1,708	172	10.1%
Total	**17,982**	**17,393**	**589**	**3.4%**

Costs for services and other materials, in the amount of €17,982 million in 2017, increased by €589 million compared with 2016 due essentially to the increase of €392 million in costs for transmission and transport, which was concentrated in Italy and in the Americas, as well as greater costs for IT services in the amount of €185 million, mainly within Italy, and an increase of €105 million in costs incurred due to the increase in purchases of material and equipment for infrastructure and grid work contracted in Brazil, primarily as a result of the consolidation of Enel Distribuição Goiás.

These effects were partially offset by a reduction of €219 million in charges for access to the transmission network, particularly in Spain related to power generation, and of €78 million due to the deconsolidation of Slovenské elektrárne.

8.c Personnel - *€4,504 million*

Millions of euro

	2017	2016	Change	
Wages and salaries	3,152	3,127	25	0.8%
Social security contributions	895	901	(6)	-0.7%
Deferred compensation benefits	104	105	(1)	-1.0%
Other post-employment and long-term benefits	139	129	10	7.8%
Early retirement incentives	76	228	(152)	-66.7%
Other costs	138	147	(9)	-6.1%
Total	**4,504**	**4,637**	**(133)**	**-2.9%**

Personnel costs amounted to €4,504 million in 2017, a decrease of €133 million.

The Group's workforce increased by 820 employees, the net effect of new hires and terminations (-2,111 employees) due to early retirement incentives and, above all, of changes in consolidated companies (+2,931 employees) due essentially to the acquisitions made in 2017, and specifically:

> the acquisition of Demand Energy in North America in January;
> the acquisition of Enel Distribuição Goiás in Brazil in February;
> the acquisition of Enel Green Power Sannio in Italy in June;
> the acquisition of EnerNOC in North America in August;
> the acquisition of eMotorWerks in North America in October;
> the consolidation of Endesa Comercialização in Portugal in November.

The increase in wages and salaries essentially reflects the increase in the average workforce in 2017.

Early retirement incentives amounted to €76 million in 2017, a decrease of €152 million, mainly attributable to the lower costs (€205 million) incurred for early-retirement plans in Spain ("*Plan de Salida*"). The reduction was only partly offset by the introduction of a similar mechanism in the newly acquired Enel Distribuição Goiás in order to enhance the efficiency of the structure (€45 million).

The table below shows the average number of employees by category, along with a comparison with the previous year, as well as the actual numbers as of December 31, 2017.

	Average number (1)			Headcount (1)
	2017	2016	Change	**at Dec. 31, 2017**
Managers	1,308	1,329	(21)	1,281
Middle managers	10,073	10,185	(111)	10,416
White collar	32,558	34,373	(1,815)	32,653
Blue collar	18,956	19,401	(446)	18,550
Total	**62,895**	**65,288**	**(2,393)**	**62,900**

(1) For companies representing joint operations, the headcount corresponds to Enel percentage share of the total.

8.d Depreciation, amortization and impairment losses - *€5,861 million*

Millions of euro

	2017	2016	Change	
Property, plant and equipment	4,119	4,171	(52)	-1.2%
Investment property	7	8	(1)	-12.5%
Intangible assets	805	711	94	13.2%
Impairment losses	1,311	1,726	(415)	-24.0%
Reversals of impairment losses	(381)	(261)	(120)	-46.0%
Total	**5,861**	**6,355**	**(494)**	**-7.8%**

Depreciation, amortization and impairment losses for 2017 decreased by €494 million, due mainly to a reduction in impairment losses recognized in 2017 as compared with the previous year. In 2017, the Group, with the support of technical advisors, completed a study to assess the operating performance of its solar and wind farms, analyzing historical data on the duration and frequency of maintenance interventions prompted by technical issues, and to examine the environmental and climatic conditions to which the Group's plants are exposed. The results of the study provided sufficient evidence to consider it reasonable to lengthen the economic-technical lives of some components of solar and wind generation plants from the estimates made in previous years.

Therefore, starting from January 1, 2017, the Group revised the useful lives of these components based on the findings of the study, taking due account of any legal constraints that may exist in certain jurisdictions in which the Group operates and that could effectively influence the right to exploit those assets until their economic-technical life terminates.

Specifically, these changes concerned the extension of the useful life of turbines and generators and other mechanical and electrical machinery for wind generation plants to 30 years, as well as the extension of the useful life of the mechanical and electrical machinery of solar generation plants, although this remained within the useful life interval already adopted by the Group.

Moreover, as a result of a number of specific technical studies conducted internally for hydroelectric generation plants in Spain and Chile, the Group also found that the conditions existed for the extension of the economic-technical lives of certain components of schedulable hydroelectric plants. Here too, while the new useful lives remain within the interval already used by the Group, the average increase in those lives within each category led to a reduction in depreciation charges for the year.

The estimated overall impact of these changes in the depreciation rates on these financial statements is a reduction of €128 million in depreciation charges.

Millions of euro

	2017	2016	Change	
Impairment losses:				
- property, plant and equipment	65	280	(215)	-76.8%
- investment property	10	6	4	66.7%
- intangible assets	7	241	(234)	-97.1%
- goodwill	-	31	(31)	-
- trade receivables	1,204	973	231	23.7%
- assets classified as held for sale	-	74	(74)	-
- other assets	25	121	(96)	-79.3%
Total impairment losses	**1,311**	**1,726**	**(415)**	**-24.0%**
Reversals of impairment losses:				
- property, plant and equipment	(53)	(2)	(51)	-
- investment property	-	-	-	-
- intangible assets	(9)	(5)	(4)	-80.0%
- trade receivables	(310)	(250)	(60)	-24.0%
- assets classified as held for sale	-	-	-	-
- other assets	(9)	(4)	(5)	-
Total reversals of impairment losses	**(381)**	**(261)**	**(120)**	**-46.0%**

"Impairment losses" decreased by €415 million on the previous year.
More specifically, 2016 included an adjustment to the value of rights for the use of water resources in the Chilean rivers of Neltume and Choshuenco (€273 million, of which €33 million related to property, plant and equipment and €240 million related to intangible assets), as well as the impairment losses on the CGUs of Enel Green Power Romania (€130 million) and Nuove Energie (totaling €92 million, of which €66 million for property, plant and equipment and €26 million for goodwill) and the impairment losses of €51 million on the assets of Marcinelle Energie, a subsidiary that was then sold in November 2016, of €55 million on the upstream-gas exploration assets, on the land owned by the Spanish subsidiary operating in the distribution segment (€22 million) and finally other minor items related mainly to the renewable-energy companies.
In 2017, the aggregate included impairment losses on the geothermal assets of the German investee Erdwärme Oberland GmbH (€42 million), which were recognized following unsuccessful exploration work.
The impairment of trade receivables and other assets came to €1,229 million, which, net of reversals, increased by €70 million in 2017, particularly in Argentina and Brazil as a result of worsening economic conditions and in Italy due to the risk of default of a number of traders.

8.e Other operating expenses - *€2,886 million*

Millions of euro

	2017	2016	Change	
System charges - emissions allowances	392	557	(165)	-29.6%
Charges for energy efficiency certificates	776	426	350	82.2%
Charges for purchases of green certificates	35	(19)	54	-
Losses on disposal of property, plant and equipment, and intangible assets	105	266	(161)	-60.5%
Taxes and duties	1,197	1,060	137	12.9%
Other	381	493	(112)	-22.7%
Total	**2,886**	**2,783**	**103**	**3.7%**

Other operating expenses, totaling €2,886 million, increased by €103 million.

This was due essentially to the following:

> an increase of €239 million in charges for environmental compliance, particularly in Italy and Romania;
> an increase of €137 million in taxes and duties, essentially related to taxes on thermal generation in Spain and on nuclear generation in Catalonia following the introduction of the new law 5/2017 taxing nuclear waste. This effect was amplified by the fact that, in 2016, the Group benefitted from the reversal of nuclear tax set aside previously for which the law previously in effect had been deemed to be unconstitutional;
> an increase in costs incurred for fines in Argentina for failure to reach the established quality standards in electricity provision (€44 million) and for the change in the scope of consolidation in Brazil with Enel Distribuição Goiás in the amount of €18 million;
> a decrease of €161 million in capital losses, which particularly reflects the impairment losses in South America in 2016 due to the abandonment of water usage rights for various development projects following an analysis of their profitability and socio-economic impact;
> the release of the provision for disputes allocated in 2016 in relation to the SAPE dispute in the amount of €80 million following the arbitration award;
> the recognition of a decrease in charges related to the ruling that granted Endesa a refund of amounts paid to finance the "*bono social*" in 2014, 2015 and 2016, the impact of which was €222 million.

8.f Capitalized costs - *€(1,847) million*

Millions of euro

	2017	2016	Change	
Personnel	(780)	(730)	(50)	6.8%
Materials	(618)	(544)	(74)	-13.6%
Other	(449)	(395)	(54)	-13.7%
Total	**(1,847)**	**(1,669)**	**(178)**	**-10.7%**

Capitalized costs consist of €780 million in personnel costs, €618 million in materials costs, and €449 million in service costs (compared with €730 million, €544 million, and €395 million, respectively, for 2016). Capitalized costs mainly regard the development and implementation of major investments, mainly in the renewables and distribution sectors.

9. Net income/(expense) from commodity contracts measured at fair value - *€578 million*

Net income from the management of commodity risk amounted to €578 million for 2017 (as compared with a net expense of €133 million in 2016), which may be broken down as follows:

> net income on cash flow hedge derivatives in the amount of €246 million (compared with net expense of €610 million in 2016);
> net income on derivatives at fair value through profit or loss in the amount of €332 million (compared with net income of €477 million in 2016).

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

Millions of euro

	2017	2016	Change	
Income:				
- income from cash flow hedge derivatives	284	14	270	-
- income from derivatives at fair value through profit or loss	1,288	974	314	32.2%
Total income	**1,572**	**988**	**584**	**59.1%**
Expense:				
- expense on cash flow hedge derivatives	(38)	(624)	586	-93.9%
- expense on derivatives at fair value through profit or loss	(956)	(497)	(459)	-92.4%
Total expenses	**(994)**	**(1,121)**	**127**	**-11.3%**
NET INCOME/(EXPENSE) FROM COMMODITY CONTRACTS MEASURED AT FAIR VALUE	**578**	**(133)**	**711**	**-**

10. Net financial income/(expense) from derivatives - *€(1,155) million*

Millions of euro

	2017	2016	Change	
Income:				
- income from cash flow hedge derivatives	728	475	253	53.3%
- income from derivatives at fair value through profit or loss	847	1,369	(522)	-38.1%
- income from fair value hedge derivatives	36	40	(4)	-10.0%
Total income	**1,611**	**1,884**	**(273)**	**-14.5%**
Expense:				
- expense on cash flow hedge derivatives	(2,171)	(1,141)	(1,030)	-90.3%
- expense on derivatives at fair value through profit or loss	(552)	(1,620)	1,068	-65.9%
- expense on fair value hedge derivatives	(43)	(60)	17	-28.3%
Total expenses	**(2,766)**	**(2,821)**	**55**	**-1.9%**
TOTAL FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES	**(1,155)**	**(937)**	**(218)**	**-23.3%**

Net expense from derivatives on interest and exchange rates amounted to €1,155 million for 2017 (as compared with a net expense of €937 million in 2016), which may be broken down as follows:

> net expense on cash flow hedge derivatives in the amount of €1,443 million (compared with a net expense of €666 million in 2016);

> net income on derivatives at fair value through profit or loss in the amount of €295 million (compared with a net expense of €251 million in 2016);

> net expense on fair value hedge derivatives in the amount of €7 million (compared with net expense of €20 million in 2016).

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

11. Other net financial income/(expense) - *€(1,537) million*

Other financial income

Millions of euro

	2017	2016	Change	
Interest income from financial assets (current and non-current):				
- interest income at effective rate on non-current securities and receivables	52	45	7	15.6%
- interest income at effective rate on short-term financial investments	132	179	(47)	-26.3%
Total interest income at the effective interest rate	**184**	**224**	**(40)**	**-17.9%**
Financial income on non-current securities at fair value through profit or loss	**-**	**-**	**-**	**-**
Exchange gains	**1,852**	**1,776**	**76**	**4.3%**
Income on equity investments	**54**	**9**	**45**	**-**
Other income	**281**	**280**	**1**	**0.4%**
TOTAL FINANCIAL INCOME	**2,371**	**2,289**	**82**	**3.6%**

Other financial income, in the amount of €2,371 million, increased by €82 million compared with the previous year due to:

> an increase in exchange gains in the amount of €76 million, reflecting the impact, above all, of trends in exchange rates on net financial debt denominated in currencies other than the euro;

> a €40 million decrease in interest income at the effective tax rate related, primarily, to the deconsolidation of Slovenské elektrárne;

> an increase of €45 million in income on equity investments in other companies, which totaled €54 million in 2017 due essentially to the gain on the sale of the investment in the Indonesian firm Bayan Resources (€52 million).

Other financial expense

Millions of euro

	2017	2016	Change	
Interest expense on financial debt (current and non-current):				
- interest on bank borrowings	357	405	(48)	-11.9%
- interest expense on bonds	1,987	2,135	(148)	-6.9%
- interest expense on other borrowings	95	138	(43)	-31.2%
Total interest expense	**2,439**	**2,678**	**(239)**	**-8.9%**
Exchange losses	**820**	**947**	**(127)**	**-13.4%**
Accretion of post-employment and other employee benefits	**72**	**79**	**(7)**	**-8.9%**
Accretion of other provisions	**190**	**286**	**(96)**	**-33.6%**
Charges on equity investments	**-**	**-**	**-**	**-**
Other expenses	**387**	**349**	**38**	**10.9%**
TOTAL FINANCIAL EXPENSE	**3,908**	**4,339**	**(431)**	**-9.9%**

Other financial expense amounted to €3,908 million, a total decrease of €431 million on 2016. The change reflects the following factors in particular:

> a decrease of €148 million in interest expense on bon-

ds, attributable mainly to Enel SpA (€106 million) and to the Enersis Américas Group (€54 million). These effects were partially offset by an increase in interest expense for Enel Finance International (€24 million);

> a €48 million reduction in interest expense on bank borrowings related, above all, to long-term financing (€53 million);
> a decrease of €43 million in interest expense on other borrowing related mainly to interest expense on medium and long-term tax-partnership payables (€33 million);
> a decrease of €127 million in exchange losses;
> a decrease of €96 million in charges for the accretion of other provisions, mainly related to the reduction of interest expense on the early-retirement provision in the amount of €58 million, which was concentrated in Spain (€47 million), and to the reduction in charges for the decommissioning fund in the amount of €48 million following the deconsolidation of Slovenské elektrárne;
> a €38 million increase in other financial expenses (€387 million in 2017 compared with €349 million in 2016), due essentially to:
  - an increase in charges recognized by Enel Finance International (€109 million) following the early redemption of bonds based on the "make whole call option" allowed for under the original financing agreement;
  - a reduction in capitalized interest (€75 million);
  - an increase in other financial expenses related to the acquisition of Enel Distribuição Goiás (€55 million) and in charges on revolving lines of credit (€37 million) attributable essentially to Enel Finance International (€22 million) and Enel SpA (€18 million);
  - a decrease of €255 million in impairment losses on financial receivables related mainly to the fair value adjustment to the financial receivable arising as a result of the sale of the 50% stake in Slovak Power Holding following an update to the pricing formula included in the agreements with EPH, which resulted in the recognition of €220 million in charges in 2016 and in 2017 in an upward adjustment of €34 million.

12. Share of income/(losses) of equity investments accounted for using the equity method - *€111 million*

Millions of euro

	2017	2016	Change	
Share of income of associates	225	115	110	95.7%
Share of losses of associates	(114)	(269)	155	-57.6%
Total	**111**	**(154)**	**265**	**-**

The share of income on equity investments accounted for using the equity method increased by €265 million compared with the previous year. This change was mainly due to the adjustment in the value of the 50% interest in Slovak Power Holding (€246 million), which was written down by €219 million in 2016 following changes in the parameters used to determine the pricing formula as defined in the agreements with EPH, but was then increased by €27 million to take account of earnings for the year.

13. Income taxes - *€1,882 million*

Millions of euro

	2017	2016	Change	
Current taxes	1,926	1,695	231	13.6%
Adjustments for income taxes relating to prior years	(59)	1	(60)	-
Total current taxes	**1,867**	**1,696**	**171**	**10.1%**
Deferred tax liabilities	(169)	(312)	143	-45.8%
Deferred tax assets	184	609	(425)	-70%
TOTAL	**1,882**	**1,993**	**(111)**	**-5.6%**

Income taxes for 2017 amounted to €1,882 million, compared with a balance of €1,993 million in 2016.

The €111 million reduction in income taxes for 2017 as compared with the previous year was mainly due to the following factors:

> a reduction in current taxes in Italy due to the corporate tax rate being reduced from 27.5% to 24%;
> an adjustment to deferred taxes for US companies (€173 million) following tax reform in December 2017, which reduced the corporate tax rate from 35% to 21%;
> the recognition of deferred tax assets in Argentina due to improved earnings forecasts for the companies in that country.

These reductions in taxation were partially offset by greater pre-tax income in 2017 compared with the previous year and to the different weight of transactions subject to tax rates different from the theoretical rates (in 2016, the gains on Hydro Dolomiti Enel and GNL Quintero, in addition to the adjustments in the value of the assets of Slovak Power Holding; in 2017, the gain on the sale of Electrogas in particular).

For more on developments in deferred tax liabilities, see note 21.

The following table provides a reconciliation of the theoretical tax rate and the effective tax rate:

Millions of euro

	2017		2016	
Income before taxes	7,211		5,780	
Theoretical taxes	1,731	24.0%	1,590	27.5%
Change in tax effect on impairment losses, capital gains and negative goodwill	(6)		118	
Additional taxes for change in tax rate on temporary fiscal differences during the year	-		44	
Recognition of deferred tax assets in Argentina	(60)		-	
Impact on deferred taxation of changes in tax rates	(182)		55	
IRAP	231		208	
Other differences, effect of different tax rates abroad compared with the theoretical rate in Italy, and other minor items	168		(22)	
Total	**1,882**		**1,993**	

14. Basic and diluted earnings per share

Both metrics are calculated on the basis of the average number of ordinary shares in the period, equal to 10,166,679,946 shares, adjusted for the diluting effect of outstanding stock options (none in both periods).

	2017	2016	Change	
Net income from continuing operations attributable to shareholders of the Parent Company (millions of euro)	3,780	2,570	1,210	47.1%
Net income from discontinued operations attributable to shareholders of the Parent Company (millions of euro)	-	-	-	-
Net income attributable to shareholders of the Parent Company (millions of euro)	3,779	2,570	1,210	47.1%
Number of ordinary shares	10,166,679,946	9,975,849,408	190,830,538	1.9%
Dilutive effect of stock options	-	-	-	-
Basic and diluted earnings per share (euro)	0.37	0.26	0.11	42.3%
Basic and diluted earnings from continuing operations per share (euro)	0.37	0.26	0.11	42.3%
Basic and diluted earnings from discontinued operations per share (euro)	-	-	-	-

15. Property, plant and equipment - *€74,937 million*

The breakdown of and changes in property, plant and equipment for 2017 are shown below.

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment
Cost	660	9,224	152,781	414
Accumulated depreciation and impairment	-	5,098	89,790	335
Balance at Dec. 31, 2016	**660**	**4,126**	**62,991**	**79**
Capital expenditure	1	29	1,003	26
Assets entering service	20	485	4,860	21
Exchange rate differences	(23)	(167)	(1,887)	(3)
Change in consolidated companies	-	(18)	(222)	-
Disposals	(3)	(11)	(38)	(2)
Depreciation	-	(148)	(3,782)	(27)
Impairment losses	(1)	(6)	(32)	(1)
Reversals of impairment losses	-	-	53	-
Other changes	(5)	(19)	28	58
Reclassifications to/from assets held for sale	-	(28)	(632)	-
Total changes	**(11)**	**117**	**(649)**	**72**
Cost	649	9,425	154,013	491
Accumulated depreciation and impairment	-	5,182	91,671	340
Balance at Dec. 31, 2017	**649**	**4,243**	**62,342**	**151**

Plant and machinery includes assets to be relinquished free of charge with a net carrying amount of €8,702 million (€9,459 million at December 31, 2016), largely regarding power plants in Iberia and South America amounting to €4,624 million (€5,280 million at December 31, 2016) and the electricity distribution network in South America totaling €3,453 million (€3,630 million at December 31, 2016).

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

Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	**Total**
1,336	1,015	402	7,260	173,092
1,066	285	253	-	96,827
270	**730**	**149**	**7,260**	**76,265**
46	1	9	5,742	6,857
67	55	22	(5,530)	-
(20)	(14)	(1)	(559)	(2,674)
9	-	-	3	(228)
(6)	-	(1)	(45)	(106)
(79)	(46)	(31)	-	(4,113)
-	-	-	(25)	(65)
-	-	-	-	53
12	17	-	67	158
-	-	-	(550)	(1,210)
29	**13**	**(2)**	**(897)**	**(1,328)**
1,321	1,054	429	6,363	173,745
1,022	311	282	-	98,808
299	**743**	**147**	**6,363**	**74,937**

The types of capital expenditure made during 2017 are summarized below. These expenditures, totaling €6,857 million, decreased by €411 million from 2016, a decrease that was particularly concentrated in wind and solar power plants.

Millions of euro

	2017	2016
Power plants:		
- thermal	577	694
- hydroelectric	450	551
- geothermal	224	265
- nuclear	127	115
- alternative energy sources	2,819	3,407
Total power plants	**4,197**	**5,032**
Electricity distribution networks	2,627	2,558
Land, buildings, and other assets and equipment	33	47
TOTAL	**6,857**	**7,637**

Capital expenditure on power plants amounted to €4,197 million, a decrease of €853 million on the previous year, essentially reflecting decreased investment in alternative energy plants in Chile and South Africa following the completion and start of operations of power plants in 2016. Capital expenditure on power plants mainly concerned wind farms, in the amount of €1,823 million, and photovoltaic plants, in the amount of €991 million.
Capital expenditure on the electricity distribution grid came to €2,627 million, an increase of €69 million over the previous year, and mainly concerned improvements to service quality and the installation of next-generation meters in Iberia, as well as work on the distribution grid in Brazil.

The change in consolidated companies for 2017 mainly concerned the deconsolidation of EGPNA Rocky Caney Wind (€305 million) following its sale in December 2017, the effects of which were only partially offset by the increase resulting from the acquisitions of Enel Green Power Sannio (€46 million), EnerNOC (€19 million), and Enel Distribuição Goiás (€13 million).

Impairment losses on property, plant and equipment amounted to €65 million. For a more detailed analysis, see note 8.d.
As at December 31, 2017, tests for the reversal of impairment losses were conducted for the assets of a number of CGUs (Enel Russia, Enel Green Power Hellas, and Enel Produzione) that had previously been written down.

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

- for the Enel Produzione CGU, the main value drivers were essentially in line with the breakeven levels;
- for the Enel Russia CGU, achieving the breakeven levels for the main value drivers is expected upon reaching a pre-tax WACC of 15.34%, a growth rate of -0.8% and EBITDA of 7.6%.

Reclassifications to/from assets held for sale include – in accordance with IFRS 5 – €1,169 million for the carrying amount of three operating plants and five plants under construction in Mexico for which Enel Green Power has signed agreements for the sale of an 80% stake in share capital ("Kino Project"), as well as €41 million for the Kafireas wind farm, for which Enel Green Power Hellas has signed an agreement for its sale.

Other changes include, among other items, the effect of the capitalization of interest on specific loans for capital expenditure in the amount of €167 million (€201 million in 2016), as detailed in the following table.

Millions of euro

	2017	Rate (%)	2016	Rate (%)	Change	
Enel Green Power SpA	14	4.8%	21	5.2%	(7)	-33.3%
PH Chucas SA	1	6.1%	7	6.1%	(6)	-85.7%
Enel Green Power Brasil	84	6.8%	49	9.5%	35	71.4%
Enel Green Power North America	10	1.3%	11	1.6%	(1)	-9.1%
Enel Green Power México	12	4.6%	12	5.0%	-	-
Enel Green Power South Africa	7	7.8%	17	5.9%	(10)	-58.8%
Enel Green Power Chile	13	4.3%	29	4.1%	(16)	-55.2%
Enel Américas Group	7	9.0%	28	18.1%	(21)	-75.0%
Enel Chile Group	6	7.1%	4	9.0%	2	50.0%
Endesa Group	8	2.1%	8	2.6%	-	-
Enel Produzione	5	4.8%	13	4.8%	(8)	-61.5%
Enel Trade	-	-	2	0.4%	(2)	-
Total	**167**		**201** (1)		**(34)**	**-16.9%**

(1) Figure does not include €41 million for the period in which Slovenské elektrárne was reclassified as held for sale.

At December 31, 2017, contractual commitments to purchase property, plant and equipment amounted to €551 million.

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

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

The following table summarizes the salient details of those concessions:

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	Amount recognized among financial assets at Dec. 31, 2017	Amount recognized among intangible assets at Dec. 31, 2017
Enel Distribución Rio	Brazilian government	Electricity distribution	Brazil	1997-2026	9 years	Yes	721	913
Enel Distribución Ceará	Brazilian government	Electricity distribution	Brazil	1998-2028	10 years	Yes	348	771
Enel Green Power Mourão	Brazilian government	Power generation	Brazil	2016-2046	28 years	No	7	-
Enel Green Power Paranapanema	Brazilian government	Power generation	Brazil	2016-2046	28 years	No	34	-
Enel Distribuição Goiás	Brazilian government	Electricity distribution	Brazil	2015-2045	28 years	No	25	531
Enel Green Power Projetos I	Brazilian government	Power generation	Brazil	2017-2047	30 years	No	357	-
Total							**1,492**	**2,215**

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

17. Leases

The Group, in the role of lessee, has entered into finance lease agreements. They include certain assets which the Group is using in Spain, Peru, Italy and Greece. In Spain, the assets relate to a 25-year tolling agreement (18 years remaining) for which an analysis pursuant to IFRIC 4 identified an embedded finance lease, under which Endesa has access to the generation capacity of a combined-cycle plant for which the toller, Elecgas, has undertaken to transform gas into electricity in exchange for a toll at a rate of 9.62%.

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

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

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

Millions of euro

	2017	2016	Change	
Property, plant and equipment	743	730	13	1.8%
Intangible assets	-	-	-	-
Total	**743**	**730**	**13**	**1.8%**

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

Millions of euro	Future minimum payments	Present value of future minimum payments	Future minimum payments	Present value of future minimum payments
	at Dec. 31, 2017		at Dec. 31, 2016	
Periods				
Within 1 year	88	58	108	75
Between 1 and 5 years	326	210	338	217
Beyond 5 years	573	426	625	453
Total	**987**	**694**	**1,071**	**745**
Finance cost	(293)		(326)	
Present value of minimum lease payments	**694**		**745**	

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

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

Millions of euro

	2017
Minimum lease payments	958
Contingent rents	-
Sublease payments	-
Total	**958**

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

Millions of euro

	2017
Periods	
Within 1 year	163
Beyond 1 year and within 5 years	539
Beyond 5 years	256
Total	**958**

18. Investment property - *€77 million*

Investment property at December 31, 2017 amounted to €77 million, a decrease of €47 million compared with 2016.

Millions of euro

	2017
Cost	167
Accumulated depreciation and impairment	43
Balance at Dec. 31, 2016	**124**
Assets entering service	-
Exchange rate differences	(1)
Change in consolidated companies	(39)
Depreciation	(7)
Impairment losses	(10)
Other changes	10
Total changes	**(47)**
Cost	121
Accumulated depreciation and impairment	44
Balance at Dec. 31, 2017	**77**

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

The change for the year is mainly attributable to the sale of the company Nueva Marina in Spain.

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

19. Intangible assets - *€16,724 million*

A breakdown of and changes in intangible assets for 2017 are shown below.

Millions of euro	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Service concession arrangements	Other	Assets under development and advances	**Total**
Cost	19	3,213	13,910	3,946	1,632	711	23,431
Accumulated amortization and impairment	19	2,586	1,647	1,991	1,259	-	7,502
Balance at Dec. 31, 2016	**-**	**627**	**12,263**	**1,955**	**373**	**711**	**15,929**
Investments	3	103	10	731	23	403	1,273
Assets entering service	7	61	10	-	119	(197)	-
Exchange rate differences	(1)	(6)	(726)	(371)	(32)	(13)	(1,149)
Change in consolidated companies	-	(1)	1,234	572	220	-	2,025
Disposals	(9)	2	-	(6)	(8)	(1)	(22)
Amortization	(4)	(193)	(200)	(235)	(187)	-	(819)
Impairment losses	(1)	(1)	-	-	-	(5)	(7)
Reversals of impairment losses	-	-	9	-	-	-	9
Other changes	14	(284)	(24)	(432)	333	(32)	(425)
Reclassifications from/to assets held for sale	-	-	(38)	-	-	(52)	(90)
Total changes	**9**	**(319)**	**275**	**259**	**468**	**103**	**795**
Cost	31	2,148	14,171	4,840	3,060	814	25,064
Accumulated amortization and impairment	22	1,840	1,633	2,626	2,219	-	8,340
Balance at Dec. 31, 2017	**9**	**308**	**12,538**	**2,214**	**841**	**814**	**16,724**

"Industrial patents and intellectual property rights" relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of Internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the asset's residual useful life (on average between three and five years).

"Concessions, licenses, trademarks and similar rights" include the costs incurred for the acquisition of customers by the foreign electricity distribution and gas sales companies. Amortization is calculated on a straight-line basis over the term of the average period of the relationship with customers or of the concessions.

The following table reports service concession arrangements that do not fall within the scope of IFRIC 12 and had a balance as at December 31, 2017.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	**at Dec. 31, 2017**	Initial fair value
Endesa Distribución Eléctrica	-	Electricity distribution	Spain	Indefinite	Indefinite	-	5,678	5,673
Codensa	Republic of Colombia	Electricity distribution	Colombia	Indefinite	Indefinite	-	1,514	1,839
Enel Distribución Chile (formerly Chilectra)	Republic of Chile	Electricity distribution	Chile	Indefinite	Indefinite	-	1,641	1,667
Enel Distribución Perú (formerly Empresa de Distribución Eléctrica de Lima Norte)	Republic of Peru	Electricity distribution	Peru	Indefinite	Indefinite	-	612	548
e-distribuţie Muntenia	Romanian Ministry for the Economy	Electricity distribution	Romania	2005-2054	36 years	Yes	142	191

The item includes assets with an indefinite useful life in the amount of €9,445 million (€9,776 million at December 31, 2016), essentially accounted for by concessions for distribution activities in Spain (€5,678 million), Colombia (€1,514 million), Chile (€1,641 million), and Peru (€612 million), for which there is no statutory or currently predictable expiration date. On the basis of the forecasts developed, cash flows for each CGU, with which the various concessions are associated, are sufficient to recover the carrying amount. The change during the year is essentially attributable to changes in exchange rates. For more information on service concession arrangements, see note 24.

Changes in consolidated companies in 2017 mainly concerned the acquisition of Enel Distribuição Goiás in Brazil, in the amount of €1,806 million, as well as of Enel X group in North America (EnerNOC, €168 million; eMotorWerks, €49 million; and Demand Energy Networks, €30 million). These effects were only partially offset by the sale of EGPNA Rocky Caney Wind (€28 million).

"Impairment losses" amounted to €7 million in 2017. For more information, see note 8.d.

"Reclassifications to/from assets held for sale" include – in accordance with IFRS 5 – €52 million for intangible assets related to the Greek wind farm Kafireas and €38 million for the Mexican plants in the "Kino Project".

20. Goodwill - *€13,746 million*

Goodwill amounted to €13,746 million, an increase of €190 million over the previous year.

Millions of euro			at Dec. 31, 2016	Change in scope of consol.	Exchange rate diff.
	Cost	Cumulative impairment	**Net carrying amount**		
Iberia [1]	11,156	(2,392)	8,764	-	-
South America [2]	3,645	-	3,645	10	(45)
Chile	-	-	-	-	-
Argentina	-	-	-	-	-
Peru	-	-	-	-	-
Colombia	-	-	-	-	-
Brazil	-	-	-	-	-
Central America	-	-	-	-	-
Enel Green Power North America	132	(11)	121	-	(15)
North America - Enel X	-	-	-	302	(10)
Market Italy [3]	579	-	579	-	-
Enel Green Power	23	-	23	-	-
Romania [4]	437	(13)	424	-	(11)
Tynemouth Energy	-	-	-	3	-
Total	**15,972**	**(2,416)**	**13,556**	**315**	**(81)**

(1) Includes Endesa and Enel Green Power España.
(2) Includes South America and Enel Green Power Latin America.
(3) Includes Enel Energia.
(4) Includes e-distribuţie Muntenia, Enel Energie Muntenia and Enel Green Power Romania.

Changes in consolidated companies mainly concern the acquisitions in North America within the Enel X business (EnerNOC, €196 million; eMotorWerks, €93 million; and Demand Energy Networks, €13 million).

Reclassification from/to assets held for sale, which amounted to €38 million, regards the goodwill associated with the Central America CGU allocated to the "Kino" wind farms in Mexico which during the year qualified for such classification under IFRS 5.

The criteria used to identify the cash generating units (CGUs) were essentially based – in line with management's strategic and operational vision – on the specific characteristics of their business, on the operational rules and regulations of the markets in which Enel operates and on the corporate organization, as well as on the level of reporting monitored by management.
In 2017, we conducted a reassessment of CGUs, which led to the reallocation of the goodwill previously assigned to them, under the provisions of IAS 36.87. The analysis became necessary in order to take account of the Group's reorganization, especially with regard to business conducted outside Italy. More specifically, in addition to the integration of the renewables and traditional sectors in the various countries and recent reorganization of the Group, the criterion underlying this reallocation can be seen in the following changes:

- as concerns Italy, a separation by legal entity: i) as a result of the corporate separation of the former monopoly (Enel SpA) over the years in response to legislative and regulatory measures; ii) based on the materiality of businesses conducted by the Group within Italy that did not permit the recognition of a single CGU;
- a separation by Country outside Italy: i) as a result of the acquisitions of companies or other business combinations since 2005 as a part of the gradual process of internationalization of the Group; ii) taking account of

Impairment losses	CGU reclassification	Reclassifications from/to assets held for sale	Other changes		at Dec. 31, 2017	
				Cost	Cumulative impairment	**Net carrying amount**
-	-	-	-	11,156	(2,392)	**8,764**
-	(3,615)	-	5	-	-	**-**
-	1,209	-	-	1,209	-	**1,209**
-	276	-	-	276	-	**276**
-	561	-	-	561	-	**561**
-	530	-	-	530	-	**530**
-	945	-	-	945	-	**945**
-	94	(38)	-	56	-	**56**
-	-	-	(11)	106	(11)	**95**
-	-	-	-	292	-	**292**
-	-	-	-	579	-	**579**
-	-	-	-	23	-	**23**
-	-	-	-	426	(13)	**413**
-	-	-	-	3	-	**3**
-	**-**	**(38)**	**(6)**	**16,162**	**(2,416)**	**13,746**

the current Country model, in which we are seeing an increasing interdependency in cash flows between the various businesses in a given geographical area under the responsibility of the Country Manager and in the organization models implemented.

Therefore, compared with the previous year:

> in Spain, the Endesa and EGP España CGUs have been merged;

> in Romania, the Romania and EGP Romania CGUs have been merged;

> in South America, the previous CGUs based on shareholding structure, i.e. "South America (formerly Endesa)" and "EGP Latin America", have been reallocated geographically. The reallocation was carried out on the basis of the associated fair values. The Group also carried out impairment tests prior to the reallocation of goodwill, which found no evidence of impairment.

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

Cash flows were determined on the basis of the best information available at the time of the estimate, taking account of the specific risks of each CGU, and drawn:

> for the explicit period, from the 5-year business plan approved by the Board of Directors of the Parent Company on November 20, 2017, containing forecasts for volumes, revenue, operating costs, capital expenditure, industrial and commercial organization and developments in the main macroeconomic variables (inflation, nominal interest rates and exchange rates) and commodity prices. The explicit period of cash flows considered in impairment testing differs in accordance with the specific features and business cycles of the various CGUs being tested. These differences are generally associated with

the different average times needed to build and bring into service the plant and other works that characterize the investments of the specific businesses that make up the CGU (conventional thermal generation, nuclear power, renewables, distribution, etc.);

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

More specifically, the terminal value was calculated as a perpetuity or annuity with a nominal growth rate equal to the long-term rate of growth in electricity and/or inflation (depending on the country and business involved) and in any case no higher than the average long-term growth rate of the reference market. The value in use calculated as described above was found to be greater than the amount recognized on the balance sheet.

In order to verify the robustness of the value in use of the CGUs, sensitivity analyses were conducted for the main drivers of the values, in particular WACC, the long-term growth rate and margins, the outcomes of which fully supported that value.

Millions of euro	Amount	Growth rate (1)	Pre-tax WACC discount rate (2)	Explicit period of cash flows	Terminal value (3)
	at Dec. 31, 2017				
Iberia (4)	8,764	1.65%	6.87%	5 years	Perpetuity/19 years
Enel Green Power España	-	-	-	-	-
Endesa - South America (5)	-	-	-	-	-
Chile	1,209	2.94%	7.43%	5 years	Perpetuity/23 years
Argentina	276	8.58%	18.67%	5 years	Perpetuity/29 years
Peru	561	3.38%	6.90%	5 years	Perpetuity/27 years
Colombia	530	2.92%	9.31%	5 years	Perpetuity/29 years
Brazil	945	3.99%	10.01%	5 years	Perpetuity/26 years
Central America	56	1.42%	8.24%	5 years	26 years
Enel Green Power Latin America (6)	-	-	-	-	-
North America	95	2.31%	6.44%	5 years	25 years
North America - Enel X	292	2.31%	10.35%	5 years	15 years
Enel Energia (7)	-	-	-	-	-
Market Italy	579	0.73%	10.83%	5 years	15 years
Enel Green Power	23	1.89%	7.28%	5 years	Perpetuity/22 years
Romania (8)	413	2.40%	6.66%	5 years	Perpetuity/19 years
Tynemouth Energy	3	-	-	-	-

(1) Perpetual growth rate for cash flows after the explicit forecast period.
(2) Pre-tax WACC calculated using the iterative method: the discount rate that ensures that the value in use calculated with pre-tax cash flows is equal to that calculated with post-tax cash flows discounted with the post-tax WACC.
(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.
(4) Includes Endesa and Enel Green Power España.
(5) Goodwill allocated to the Chile, Argentina, Peru, Colombia and Brazil CGUs.
(6) Goodwill allocated to the Chile, Argentina, Peru, Colombia, Brazil and Central America CGUs.
(7) Goodwill allocated to the Market Italy CGU.
(8) Includes e-distribuţie Muntenia, Enel Energie Muntenia and Enel Green Power Romania.

The table below reports the composition of the main goodwill values according to the company to which the cash-generating unit (CGU) belongs, along with the discount rates applied and the time horizon over which the expected cash flows have been discounted.

Amount	Growth rate (1)	Pre-tax WACC discount rate (2)	Explicit period of cash flows	Terminal value (3)
at Dec. 31, 2016				
8,607	1.40%	7.78%	5 years	Perpetuity
157	1.60%	7.99%	5 years	13 years
3,285	2.71%	8.83%	5 years	Perpetuity
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
360	3.27%	8.72%	5 years	21 years
121	2.20%	6.03%	5 years	21 years
-	-	-	-	-
579	0.23%	12.16%	5 years	15 years
-	-	-	-	-
23	1.50%	8.49%	5 years	Perpetuity/16 years
424	2.00%	7.24%	5 years	Perpetuity
-	-	-	-	-

At December 31, 2017, the impairment tests of the CGUs to which goodwill had been allocated found no evidence of impairment, while in 2016 they had found impairment of €26 million in the Nuove Energie CGU and €5 million in the Enel Green Power Bulgaria CGU.

21. Deferred tax assets and liabilities - *€6,354 million and €8,348 million*

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

Millions of euro	at Dec. 31, 2016	Increase/(Decrease) taken to income statement	Increase/(Decrease) taken to equity
Deferred tax assets:			
- differences in the value of intangible assets, property, plant and equipment	1,796	(157)	-
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	1,521	(56)	-
- tax loss carried forward	81	95	-
- measurement of financial instruments	722	6	(36)
- employee benefits	637	1	(23)
- other items	1,908	57	(2)
Total	**6,665**	**(54)**	**(61)**
Deferred tax liabilities:			
- differences on non-current and financial assets	6,451	(212)	-
- measurement of financial instruments	385	(4)	(143)
- other items	1,932	192	3
Total	**8,768**	**(24)**	**(140)**
Non-offsettable deferred tax assets			
Non-offsettable deferred tax liabilities			
Excess net deferred tax liabilities after any offsetting			

At December 31, 2017, deferred tax assets, recognized when there is a reasonable certainty of their recoverability, totaled €6,354 million (€6,665 million at December 31, 2016).

Deferred tax assets decreased by €311 million during the year due mainly to the tax effect related to components of income not recognized for fiscal purposes, particularly concerning derivative instruments and provisions for risks, reversals for the period, and reclassifications of the assets held for sale of the Mexican companies.

This decrease was only partially offset by the increase in deferred tax assets on past losses in Argentina in light of the improved earnings forecasts for the companies in that country.

It should also be noted that no deferred tax assets were recorded in relation to prior tax losses in the amount of €2,286 million because, on the basis of current estimates of future taxable income, it is not certain that such assets will be recovered.

Deferred tax liabilities amounted to €8,348 million at December 31, 2017 (€8,768 million at December 31, 2016). They essentially include the determination of the tax effects of the value adjustments to assets acquired as part of the final allocation of the cost of acquisitions made in the various years and the deferred taxation in respect of the differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful lives of assets.

Deferred tax liabilities decreased by a total of €420 million, particularly in the United States following the reduction in

Change in scope of consolidation	Other changes	Exchange rate differences	Reclassifications of assets held for sale	
				at Dec. 31, 2017
-	-	(22)	-	1,617
-	-	(26)	-	1,439
-	-	(9)	-	167
-	-	(2)	-	690
-	-	(11)	-	604
7	-	(35)	(98)	1,837
7	**-**	**(105)**	**(98)**	**6,354**
223	-	(335)	(76)	6,051
-	-	(1)	-	237
33	-	(58)	(42)	2,060
256	**-**	**(394)**	**(118)**	**8,348**
				3,455
				3,297
				2,152

the corporate income tax rate from 35% to 21% as part of the tax reform there (€173 million), as well as for the reclassification to available for sale of deferred tax assets associated with the Mexican companies (€118 million) and the impact of currency differences.

These decreases were only partially offset by deferred tax liabilities for the acquired companies EnerNOC, Enel Distribuição Goiás, eMotorWerks, and Demand Energy following allocation of the price paid (for a total of €251 million).

22. Equity investments accounted for using the equity method - *€1,598 million*

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

Millions of euro		% held	Income effect	Change in scope of consol.
	at Dec. 31, 2016			
Joint arrangements				
EGPNA Renewable Energy Partners	402	50.0%	64	3
Rocky Caney Holding	-	-	-	39
OpEn Fiber	355	50.0%	(13)	-
Slovak Power Holding	156	50.0%	27	-
Enel F2i Solare Italia (formerly Ultor)	164	50.0%	(1)	-
Tejo Energia Produção e Distribuição de Energia Eléctrica	71	43.8%	10	-
RusEnergoSbyt	71	49.5%	41	-
Energie Electrique de Tahaddart	31	32.0%	7	-
Drift Sand Wind Project	20	35.0%	10	8
Electrogas	17	42.5%	-	(17)
Transmisora Eléctrica de Quillota	12	50.0%	1	-
Centrales Hidroeléctricas de Aysén	9	51.0%	(6)	-
PowerCrop	2	50.0%	(4)	-
Enel Green Power Bungala	-	-	(2)	-
Associates				
Elica 2	45	30.0%	-	-
CESI	42	42.7%	5	-
Tecnatom	34	45.0%	(4)	-
Suministradora Eléctrica de Cádiz	17	33.5%	1	-
Compañía Eólica Tierras Altas	13	35.6%	1	-
Other	97		(26)	(2)
Total	**1,558**		**111**	**31**

Income effects include the profits and losses recognized by the companies in proportion to the interest that the Enel Group holds.

Changes in the scope of consolidation mainly reflect:

- the 20% interest in EGPNA Rocky Caney following the sale of the remaining 80%, which resulted in deconsolidation;
- sale of the 42.5% interest held in the Chilean firm Electrogas.

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

No evidence of impairment was found for equity investments measured using the equity method.

Dividends	Reclassifications from/to assets held for sale	Other changes	at Dec. 31, 2017	% held
-	-	(65)	404	50.0%
-	-	-	39	20.0%
-	-	1	343	50.0%
-	-	7	190	50.0%
-	-	-	163	50.0%
(9)	-	1	73	43.8%
(70)	-	(6)	36	49.5%
(6)	-	(2)	30	32.0%
-	-	(6)	32	50.0%
-	-	-	-	-
-	-	(1)	12	50.0%
-	-	3	6	51.0%
-	-	14	12	50.0%
-	-	15	13	50.0%
-	-	4	49	30.0%
(1)	-	-	46	42.7%
-	-	(1)	29	45.0%
(5)	-	-	13	33.5%
(2)	-	-	12	35.6%
(10)	(6)	43	96	
(103)	**(6)**	**7**	**1,598**	

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

Millions of euro	Non-current assets		Current assets		Total assets	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Joint arrangements						
Centrales Hidroeléctricas de Aysén	11	22	-	1	11	23
OpEn Fiber	699	769	-	240	699	1,009
Enel F2i Solare Italia (formerly Ultor)	77	279	163	70	240	349
RusEnergoSbyt	4	6	138	213	142	219
Tejo Energia Produção e Distribuição de Energia Eléctrica	250	277	149	134	399	411
Energie Electrique de Tahaddart	93	111	27	32	120	143
PowerCrop	37	40	89	41	126	81
Associates						
Tecnatom	74	77	59	58	133	135
Suministradora Eléctrica de Cádiz	71	74	24	18	95	92
Compañía Eólica Tierras Altas	29	35	6	2	35	37

Non-current liabilities		Current liabilities		Total liabilities		Shareholders’ equity	
at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
-	-	-	5	-	5	11	18
-	-	-	299	-	299	699	710
-	139	-	4	-	143	240	206
-	-	127	129	127	129	15	90
129	163	102	84	231	247	168	164
10	9	16	36	26	45	94	98
-	1	111	61	111	62	15	19
25	31	43	26	68	57	65	78
23	23	34	17	57	40	38	52
2	1	1	2	3	3	32	34

Millions of euro	Total revenue		Income before taxes		Net income from continuing operations	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Joint arrangements						
Centrales Hidroeléctricas de Aysén	-	-	(11)	(6)	(11)	(6)
OpEn Fiber	-	15	(11)	(11)	(11)	(9)
Enel F2i Solare Italia (formerly Ultor)	7	26	7	5	7	5
RusEnergoSbyt	2,515	1,991	106	86	85	69
Tejo Energia Produção e Distribuição de Energia Eléctrica	267	207	34	31	23	22
Energie Electrique de Tahaddart	56	56	30	28	21	19
PowerCrop	-	-	(5)	(4)	(4)	(4)
Associates						
Tecnatom	57	88	(9)	1	(9)	1
Suministradora Eléctrica de Cádiz	5	15	3	8	3	8
Compañía Eólica Tierras Altas	11	8	2	(2)	1	(1)

23. Derivatives

Millions of euro	Non-current		Current	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Derivative financial assets	702	1,609	2,309	3,945
Derivative financial liabilities	2,998	2,532	2,260	3,322

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

24. Other non-current financial assets - *€4,002 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Equity investments in other companies measured at fair value	6	149	(143)	-96.0%
Equity investments in other companies	52	47	5	10.6%
Receivables and securities included in net financial debt (see note 24.1)	2,444	2,621	(177)	-6.8%
Service concession arrangements	1,476	1,022	454	44.4%
Non-current prepaid financial expense	24	53	(29)	-54.7%
Total	**4,002**	**3,892**	**110**	**2.8%**

Total non-current financial assets increased by €110 million in 2017 as compared with the previous year. In particular, the change reflects an increase in receivables included in net financial debt, as discussed in note 24.1, and service concession agreements related mainly to the consolidation of Enel Distribuição Goiás.

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

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

Millions of euro

	at Dec. 31, 2017	% held	at Dec. 31, 2016	% held	Change
Bayan Resources	-		139	10.0%	(139)
Echelon	1	7.1%	1	7.1%	-
Galsi	17	17.6%	17	17.6%	-
Other	40		39		1
Total	**58**		**196**		**(138)**

The change on the previous year essentially reflects the sale of Bayan Resources, a Indonesian company listed on the local Indonesian market that operates in the coal-extraction industry.

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

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

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Securities held to maturity	-	-	-	-
Financial investments in funds or portfolio management products at fair value through profit or loss	-	-	-	-
Securities available for sale	382	440	(58)	-13.2%
Financial receivables in respect of Spanish electrical system deficit	3	15	(12)	-80.0%
Other financial receivables	2,059	2,166	(107)	-4.9%
Total	**2,444**	**2,621**	**(177)**	**-6.8%**

Securities held to maturity and available for sale, as well as financial investments in funds or portfolio management products, represent the financial instruments in which the Dutch insurance companies invest a portion of their liquidity.

Other financial receivables decreased by €107 million in 2017 compared with the previous year. The change mainly reflects the following factors:

- a decrease of €78 million in the receivable for CO_2 emissions allowances connected with "new-entrant" plants;
- the reclassification to short term of €44 million of the receivable in respect of the Energy & Environmental Services Fund (formerly the Electricity Equalization Fund), the balance of which was €296 million as at December 31, 2017 (compared with €340 million at December 31, 2016), concerning the reimbursement of costs incurred with the early replacement of electromechanical meters;
- the reclassification to short term of €55 million of the receivable in respect of the reimbursement, provided for by the Regulatory Authority for Energy, Networks and the Environment in Italy with Resolution 157/2012, of costs incurred with the termination of the Electrical Worker Pension Fund in the total amount of €225 million at December 31, 2017 (€280 million at December 31, 2016).

These decreases were only partly offset by the following increases:

- an increase of €24 million in the financial receivables from EGPNA REP Wind Holdings related to the financing for development of the new wind farms by the joint venture;
- an increase of €34 million in relation to the receivable emerging from the sale of the 50% stake in Slovak Power Holding. This receivable has been measured at fair value, which was determined based on the pricing formula contained in the agreements with EPH and which takes account of a number of parameters, including the evolution of Slovenské elektrárne's net financial position, trends in energy prices on the Slovakian market, the levels of operating efficiency of Slovenské elektrárne based on benchmarks established in the agreement, and the enterprise value of Mochovce units 3 and 4.

25. Other non-current assets - *€1,064 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Receivables from institutional market operators	200	106	94	88.7%
Other receivables	864	600	264	44.0%
Total	**1,064**	**706**	**358**	**50.7%**

Receivables from institutional market operators totaled €200 million as at December 31, 2017, and increased mainly due to recognition of certain positive equalization payments in the Spanish market, as described in relation to revenue.

At December 31, 2017, other receivables mainly regarded tax receivables in the amount of €261 million (€301 million at December 31, 2016), security deposits in the amount of €189 million (€157 million at the end of 2016), and non-monetary grants to be received in respect of green certificates totaling €61 million (€51 million at December 31, 2016).
The change for the year reflects the consolidation of Enel Distribuição Goiás and, in particular (€266 million), the receivable held by this company from Fundo de Aporte a Enel Distribuição Goiás (FUNAC) created by the State of Goiás in order to compensate the Brazilian company in the event of disputes arising from operations conducted prior to the privatization process of Electrobras.

26. Inventories - *€2,722 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Raw materials, consumables and supplies:				
- fuel	1,215	1,119	96	8.6%
- materials, equipment and other inventories	1,136	812	324	39.9%
Total	**2,351**	**1,931**	**420**	**21.8%**
Environmental certificates:				
- CO_2 emissions allowances	287	412	(125)	-30.3%
- green certificates	14	7	7	-
- white certificates	1	-	1	-
Total	**302**	**419**	**(117)**	**-27.9%**
Buildings available for sale	62	65	(3)	-4.6%
Payments on account	7	149	(142)	-95.3%
TOTAL	**2,722**	**2,564**	**158**	**6.2%**

Raw materials, consumables and supplies, in the amount of €2,351 million at December 31, 2017 (€1,931 million in 2016), consist of fuel inventories to cover the requirements of the generation companies and trading activities, as well as materials and equipment for the operation, maintenance and construction of plants and distribution networks.
The overall increase in inventories for the year (€158 million) was mainly due to the increase in purchases of second-generation meters in execution of the Open Meter plan as well as of LV/MV materials to be used in maintenance and operations. Conversely, CO_2 emissions rights declined.
The reduction in payments on account is related almost entirely to gas purchased on account by Enel Trade in 2016 under the take-or-pay formula, which was used in its entirety during 2017.
The buildings available for sale are related to remaining units from the Group’s real estate portfolio and are primarily civil buildings.

27. Trade receivables - *€14,529 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Customers:				
- sale and transport of electricity	11,123	10,488	635	6.1%
- distribution and sale of natural gas	2,029	1,645	384	23.3%
- other activities	1,234	1,258	(24)	-1.9%
Total customer receivables	**14,386**	**13,391**	**995**	**7.4%**
Trade receivables due from associates and joint arrangements	143	115	28	24.3%
TOTAL	**14,529**	**13,506**	**1,023**	**7.6%**

Trade receivables from customers are recognized net of allowances for doubtful accounts, which totaled €2,402 million at the end of the year, as compared with an opening balance of €2,028 million. More specifically, the increase for the period was mainly due to the increase in receivables recognized in Italy from traders and customers as well as, in South America, to the greater quantities sold and transported, the consolidation of Enel Distribuição Goiás, and the rate increases recognized especially in Argentina. For more details on trade receivables, see note 41, "Financial instruments".

28. Other current financial assets - *€4,614 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Current financial assets included in debt	4,458	2,924	1,534	52.5%
Other	156	129	27	20.9%
Total	**4,614**	**3,053**	**1,561**	**51.1%**

28.1 Other current financial assets included in debt - *€4,458 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Short-term portion of long-term financial receivables	1,094	767	327	42.6%
Receivables for factoring	42	128	(86)	-67.2%
Securities measured at FVTPL	-	1	(1)	-
Securities held to maturity	-	-	-	-
Securities available for sale	69	35	34	97.1%
Financial receivables and cash collateral	2,664	1,082	1,582	-
Other	589	911	(322)	-35.3%
Total	**4,458**	**2,924**	**1,534**	**52.5%**

Other current financial assets included in net financial debt totaled €4,458 million (€2,924 million at December 31, 2016). The change mainly concerns the increase in financial receivables recognized by Enel SpA and Enel Finance International following the increase in cash collateral paid to counterparties for over-the-counter derivative contracts on interest and exchange rates.

The short-term portion of long-term financial receivables increased by €327 million due mainly to the increase of €269 million in financial receivables in respect of the Spanish electrical system for financing the rate deficit. More specifically, at the end of 2017, the increase in receivables for the extra-peninsular deficit of €304 million (a debtor position of €296 million in 2016) was only partly offset by the reduction of €35 million in the peninsular deficit.

This increase reflected differences in the way the Spanish rate deficit is covered by system operators through the various periodic settlements (monthly).

The residual item "Other" reports a decrease of €322 million in financial receivables as a result of the collection of receivables recognized in 2016 by EGPNA for taxable gains and related to the sale of Cimarron Bend and Lindhal.

29. Other current assets - *€2,695 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Receivables from institutional market operators	853	1,025	(172)	-16.8%
Advances to suppliers	217	188	29	15.4%
Receivables due from employees	20	37	(17)	-45.9%
Receivables due from others	872	913	(41)	-4.5%
Sundry tax receivables	517	664	(147)	-22.1%
Accrued operating income and prepaid expenses	150	146	4	2.7%
Revenue for construction contracts	66	71	(5)	-7.0%
Total	**2,695**	**3,044**	**(349)**	**-11.5%**

Receivables from institutional market operators include receivables in respect of the Italian system in the amount of €575 million (€862 million at December 31, 2016) and the Spanish system in the amount of €260 million (€147 million at December 31, 2016). The reduction in this item for the period, recognized by the Italian company operating in the sale of electricity on the regulated market, is mainly the result of collection of the receivable on white certificates in 2016 and of the receivable resulting from the assessment of the equalization of energy purchases.

Including the portion of receivables classified as long-term in the amount of €200 million (€106 million in 2016), receivables due from institutional market operators at December 31, 2017 totaled €1,053 million (€1,131 million at December 31, 2016), with payables of €5,029 million (€4,966 million at December 31, 2016).

The reduction of €147 million in sundry tax receivables is due to the decreased receivable for value-added tax, particularly in Italy as a result of the split-payment mechanism introduced into Italian tax law.

30. Cash and cash equivalents - *€7,021 million*

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €80 million essentially in respect of deposits pledged to secure transactions carried out.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Bank and post office deposits	6,486	7,777	(1,291)	-16.6%
Cash and cash equivalents on hand	343	298	45	15.1%
Other liquid investments	192	215	(23)	-10.7%
Total	**7,021**	**8,290**	**(1,269)**	**-15.3%**

31. Assets and disposal groups classified as held for sale - *€1,970 million and €1,729 million*

Changes in assets held for sale during 2017 may be broken down as follows.

Millions of euro

	at Dec. 31, 2016	Reclassification from/to current and non-current assets	Disposals and changes in consolidation	Impairment losses	Other changes	**at Dec. 31, 2017**
Property, plant and equipment	6	1,210	2	-	283	1,501
Intangible assets	-	90	-	-	(3)	87
Goodwill	-	38	-	-	-	38
Deferred tax assets	-	98	-	-	11	109
Investments accounted for using the equity method	-	6	-	-	-	6
Non-current financial assets	5	-	-	-	(5)	-
Other non-current assets	-	3	-	-	(1)	2
Cash and cash equivalents and current assets	-	232	-	-	(5)	227
Total	**11**	**1,677**	**2**	**-**	**280**	**1,970**

Changes in liabilities in 2017 were as follows.

Millions of euro

	at Dec. 31, 2016	Reclassification from/to current and non-current assets	Disposals and changes in consolidation	Other changes	**at Dec. 31, 2017**
Long-term borrowings	-	416	-	-	416
Post-employment and other employee benefits	-	-	-	-	-
Provisions for risks and charges, non-current portion	-	-	-	-	-
Deferred tax liabilities	-	118	-	(5)	113
Non-current financial liabilities	-	-	-	-	-
Other non-current liabilities	-	58	-	-	58
Short-term borrowings	-	980	-	-	980
Other current financial liabilities	-	1	-	1	2
Provisions for risks and charges, current portion	-	-	-	-	-
Trade payables and other current liabilities	-	316	-	(156)	160
Total	**-**	**1,889**	**-**	**(160)**	**1,729**

Assets and liabilities held for sale at December 31, 2017 therefore amount to €1,970 million and €1,729 million respectively and regard:

> eight Mexican project companies that own three operational plants and five plants under construction for which Enel Green Power has signed agreements for the sale of 80% of their share capital ("Kino Project"). More specifically, the assets falling within the scope of IFRS 5 are those (including net working capital) in respect of the eight projects and the loans obtained by the Group in order to build the plants;

> the project companies associated with the Kafireas wind farm, for which Enel Green Power Hellas has signed a joint venture agreement (JVA) with a partner that governs the terms and management of 100% of the projects connected with that wind farm.

32. Shareholders' equity - *€52,161 million*

32.1 Equity attributable to shareholders of the Parent Company - *€34,795 million*

Share capital - *€10,167 million*

At December 31, 2017, the share capital of Enel SpA – considering that as at December 31, 2016 there were no approved stock option plans (and thus no options exercised) – amounted to €10,166,679,946 fully subscribed and paid up, represented by the same number of ordinary shares with a par value of €1.00 each.

At December 31, 2017, based on the shareholders register and the notices submitted to CONSOB and received by the company pursuant to Article 120 of Legislative Decree 58 of February 24, 1998, as well as other available information, the only shareholders with interests of greater than 3% in the company's share capital were the Ministry for the Economy and Finance (with a 23.585% stake) and BlackRock Inc. (with a 5.615% stake held at August 15, 2017 through subsidiaries for asset management purposes).

Other reserves - *€3,348 million*

Share premium reserve - *€7,489 million*

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve contains, in the case of the issue of shares at a price above par, the difference between the issue price of the shares and their par value, including those resulting from conversion from bonds. The reserve, which is a capital reserve, may not be distributed until the legal reserve has reached the threshold established under Article 2430 of the Italian Civil Code.

Legal reserve - *€2,034 million*

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

Other reserves - *€2,262 million*

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company.

Pursuant to Article 47 of the Uniform Income Tax Code (*Testo Unico Imposte sul Reddito*), this amount does not constitute taxable income when distributed.

Reserve from translation of financial statements in currencies other than euro - *€(2,614) million*

The decrease for the year, equal to €1,609 million, is due to the net appreciation of the functional currency against the foreign currencies used by subsidiaries.

Reserve from measurement of cash flow hedge financial instruments - *€(1,588) million*

This includes the net charges recognized in equity from the measurement of cash flow hedge derivatives. The cumulative tax effect is equal to €456 million.

Reserve from measurement of financial instruments available for sale - *€(23) million*

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

The negative change of €129 million for the year is mainly attributable to the sale of the 10% stake in Bayan Resources.

There is no cumulative tax effect on the reserve in view of the tax rules in the countries in which those instruments are held.

Reserve from equity investments accounted for using the equity method - *€(5) million*

The reserve reports the share of comprehensive income to be recognized directly in equity of companies accounted for using the equity method. The cumulative tax effect is equal to €17 million.

Reserve from remeasurement of net liabilities/(assets) of defined benefit plans - *€(646) million*

The reserve, which was created in previous years, includes all actuarial gains and losses, net of tax effects. The change is attributable to the decrease in net actuarial losses recognized during the period, mainly reflecting changes in the discount rate. The cumulative tax effect is equal to €94 million.

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

This item mainly reports:

> the gain posted on the public offering of Enel Green Po-

wer shares, net of expenses associated with the disposal and the related taxation;

> the sale of minority interests recognized as a result of the Enersis capital increase;
> the capital loss, net of expenses associated with the disposal and the related taxation, from the public offering of 21.92% of Endesa;
> the income from the disposal of the minority interest in Enel Green Power North America Renewable Energy Partners;
> the effects of the merger into Enel Américas of Endesa Américas and Chilectra Américas;
> the disposal to third parties of a minority interest without loss of control in Enel Green Power North America Renewable Energy Partners.

Reserve from transactions in non-controlling interests - *€(1,163) million*

The reserve reports the amount by which the purchase price in purchases from third parties of additional stakes in companies already controlled in South America (generated in previous years by the purchase of additional stakes in Enel Distribución Rio, Ampla Investimentos e Serviços, Eléctrica Cabo Blanco, Enel Distribución Ceará, Generandes Perú, Enersis, Endesa Latinoamérica and Enel Green Power SpA) exceeds the value of the equity acquired.
The change for the period, equal to €7 million, regards the income from the purchase of a non-controlling interest in Enel Distribución Perú.

Retained earnings and loss carried forward - *€21,280 million*

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

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

Millions of euro

	at Dec. 31, 2016			Change						**at Dec. 31, 2017**		
	Total	*Of which shareholders of the Parent Company*	*Of which non-controlling interests*	Gains/(Losses) recognized in equity for the year	Released to income statement	Taxes	**Total**	*Of which shareholders of the Parent Company*	*Of which non-controlling interests*	**Total**	*Of which shareholders of the Parent Company*	*Of which non-controlling interests*
Reserve from translation of financial statements in currencies other than euro	**(2,903)**	*(988)*	*(1,915)*	(2,519)	-	-	**(2,519)**	*(1,609)*	*(910)*	**(5,422)**	*(2,597)*	*(2,825)*
Reserve from measurement of cash flow hedge financial instruments	**(1,731)**	*(1,438)*	*(293)*	(1,417)	1,278	67	**(72)**	*(140)*	*68*	**(1,803)**	*(1,578)*	*(225)*
Reserve from measurement of financial instruments available for sale	**105**	*106*	*(1)*	(14)	(118)	3	**(129)**	*(129)*	-	**(24)**	*(23)*	*(1)*
Share of OCI of associates accounted for using the equity method	**(62)**	*(61)*	*(1)*	4	8	(2)	**10**	*7*	*3*	**(52)**	*(54)*	*2*
Remeasurements of net employee benefit liabilities/(assets)	**(927)**	*(724)*	*(203)*	99	-	(25)	**74**	*60*	*14*	**(854)**	*(664)*	*(189)*
Total gains/(losses) recognized in equity	**(5,518)**	*(3,105)*	*(2,413)*	**(3,847)**	**1,168**	**43**	**(2,636)**	*(1,811)*	*(825)*	**(8,154)**	*(4,916)*	*(3,238)*

32.2 Dividends

	Amount distributed (millions of euro)	Dividend per share (euro)
Net dividends paid in 2016		
Dividends for 2015	1,627	0.16
Interim dividends for 2016 (1)	-	-
Special dividends	-	-
Total dividends paid in 2016	**1,627**	**0.16**
Net dividends paid in 2017		**-**
Dividends for 2016	1,830	0.18
Interim dividends for 2017 (2)	-	-
Special dividends	-	-
Total dividends paid in 2017	**1,830**	**0.18**

(1) Approved by the Board of Directors on November 10, 2016 and paid as from January 25, 2017 (interim dividend of €0.09 per share for a total of €915 million).
(2) Approved by the Board of Directors on November 8, 2017 and paid as from January 24, 2018 (interim dividend of €0.105 per share for a total of €1,068 million).

At its meeting of November 8, 2017, of the Board of Directors approved the distribution of an interim dividend of €0.105 per share, for a total of €1,068 million. That interim dividend, gross of any withholding tax, was paid as of January 24, 2018.

Capital management

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

In this context, the Group manages its capital structure and adjusts that structure when changes in economic conditions so require. There were no substantive changes in objectives, policies or processes in 2017.

To this end, the Group constantly monitors developments in the level of its debt in relation to equity. The situation at December 31, 2017 and 2016 is summarized in the following table.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Non-current financial position	42,439	41,336	1,103
Net current financial position	(2,585)	(1,162)	(1,423)
Non-current financial receivables and long-term securities	(2,444)	(2,621)	177
Net financial debt	**37,410**	**37,553**	**(143)**
Equity attributable to shareholders of the Parent Company	34,795	34,803	(8)
Non-controlling interests	17,366	17,772	(406)
Shareholders' equity	**52,161**	**52,575**	**(414)**
Debt/equity ratio	**0.72**	**0.71**	**-**

See note 39 for a breakdown of the individual items in the table.

32.3 Non-controlling interests - *€17,366 million*

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

Millions of euro	Non-controlling interests		Net income attributable to non-controlling interests	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Italy	4	4	-	-
Iberia	6,954	6,957	396	352
South America	8,934	9,307	1,020	662
Europe and North Africa	1,002	1,017	67	99
North and Central America	387	409	60	104
Sub-Saharan Africa and Asia	85	78	7	1
Total	**17,366**	**17,772**	**1,550**	**1,217**

The decrease in non-controlling interests mainly reflects exchange rate effects and dividends from South America and Endesa, only partly offset by the recognition of net income for the year.

33. Borrowings

Millions of euro	Non-current		Current	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Long-term borrowings	42,439	41,336	7,000	4,384
Short-term borrowings	-	-	1,894	5,372
Total	**42,439**	**41,336**	**8,894**	**9,756**

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

34. Employee benefits - *€2,407 million*

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

- for Italy, the item "pension benefits" regards estimated accruals made to cover benefits due under the supplemental retirement schemes of retired executives and the benefits due to personnel under law or contract at the time the employment relationship is terminated. For the foreign companies, the item reports post-employment benefits, of which the most material regard the pension benefit schemes of Endesa in Spain, which break down into three types that differ on the basis of employee seniority and company. In general, under the framework agreement of October 25, 2000, employees participate in a specific defined contribution pension plan and, in cases of disability or death of employees in service, a defined benefit plan which is covered by appropriate insurance policies. In addition, Endesa has two other limited-enrollment plans (i) for current and retired Endesa employees covered by the electricity industry collective bargaining agreement prior to the changes introduced with the framework agreement noted earlier and (ii) for employees of the former Catalan companies (Fecsa/Enher/HidroEmpordà). Both are defined benefit plans and benefits are fully ensured, with the exception of the former plan for benefits in the event of the death of a retired employee. Finally, the Brazilian companies have also established defined benefit plans;
- the item "electricity discount" comprises benefits regarding electricity supply associated with foreign companies. For Italy, that benefit, which was granted until the end of 2015 to retired employees only, was unilaterally cancelled;
- the item "health insurance" reports benefits for current or retired employees covering medical expenses;
- the item "other benefits" mainly regards the loyalty bonus, which is adopted in various countries and for Italy is represented by the estimated liability for the benefit entitling employees covered by the electricity workers national collective bargaining agreement to a bonus for achievement of seniority milestones (25th and 35th year of service). It also includes other incentive plans, which provide for the award to certain company managers of a monetary bonus subject to specified conditions.

The following table reports changes in the defined benefit obligation for post-employment and other long-term employee benefits at December 31, 2017 and December 31, 2016, respectively, as well as a reconciliation of that obligation with the actuarial liability.

Millions of euro	2017				
	Pension benefits	Electricity discount	Health insurance	Other benefits	**Total**
CHANGES IN ACTUARIAL OBLIGATION					
Actuarial obligation at the start of the year	**2,440**	**847**	**231**	**284**	**3,802**
Current service cost	17	5	5	47	**74**
Interest expense	118	16	11	7	**152**
Actuarial (gains)/losses arising from changes in demographic assumptions	2	-	(2)	(1)	**(1)**
Actuarial (gains)/losses arising from changes in financial assumptions	54	30	3	2	**89**
Experience adjustments	(35)	(138)	15	(5)	**(163)**
Past service cost	5	-	-	-	**5**
(Gains)/Losses arising from settlements	-	-	-	-	**-**
Exchange differences	(124)	(1)	(12)	(6)	**(143)**
Employer contributions	-	-	-	-	**-**
Employee contributions	1	-	-	-	**1**
Benefits paid	(226)	(22)	(12)	(79)	**(339)**
Other changes	161	2	14	5	**182**
Liabilities classified as held for sale	-	-	-	-	**-**
Actuarial obligation at year end (A)	**2,413**	**739**	**253**	**254**	**3,659**
CHANGES IN PLAN ASSETS					
Fair value of plan assets at the start of the year	**1,272**	**-**	**-**	**-**	**1,272**
Interest income	83	-	-	-	**83**
Expected return on plan assets excluding amounts included in interest income	53	-	-	-	**53**
Exchange differences	(94)	-	-	-	**(94)**
Employer contributions	142	22	12	23	**199**
Employee contributions	1	-	-	-	**1**
Benefits paid	(226)	(22)	(12)	(23)	**(283)**
Other payments	-	-	-	-	**-**
Change in scope of consolidation	86	-	-	-	**86**
Fair value of plan assets at year end (B)	**1,317**	**-**	**-**	**-**	**1,317**
EFFECT OF ASSET CEILING					
Asset ceiling at the start of the year	**54**	**-**	**-**	**-**	**54**
Interest income	4	-	-	-	**4**
Changes in asset ceiling	16	-	-	-	**16**
Exchange differences	(9)	-	-	-	**(9)**
Change in scope of consolidation	-	-	-	-	**-**
Asset ceiling at year end (C)	**65**	**-**	**-**	**-**	**65**
Net liability in balance sheet (A-B+C)	**1,161**	**739**	**253**	**254**	**2,407**

2016				
Pension benefits	Electricity discount	Health insurance	Other benefits	**Total**
2,126	**729**	**197**	**285**	**3,337**
14	4	5	50	**73**
108	19	11	7	**145**
2	-	(2)	1	**1**
221	97	19	10	**347**
9	22	(4)	(14)	**13**
1	-	1	1	**3**
2	-	-	-	**2**
126	1	14	6	**147**
-	-	-	-	**-**
1	-	-	-	**1**
(194)	(28)	(14)	(62)	**(298)**
24	3	4	1	**32**
-	-	-	-	**-**
2,440	**847**	**231**	**284**	**3,802**
1,110	**-**	**-**	**-**	**1,110**
75	-	-	-	**75**
40	-	-	-	**40**
104	-	-	-	**104**
136	28	14	22	**200**
1	-	-	-	**1**
(194)	(28)	(14)	(22)	**(258)**
-	-	-	-	**-**
-	-	-	-	**-**
1,272	**-**	**-**	**-**	**1,272**
57	**-**	**-**	**-**	**57**
5	-	-	-	**5**
(20)	-	-	-	**(20)**
13	-	-	-	**13**
-	-	-	-	**-**
55	**-**	**-**	**-**	**55**
1,223	**847**	**231**	**284**	**2,585**

Millions of euro

	2017	2016
(Gains)/Losses charged to profit or loss		
Service cost and past service cost	40	34
Net interest expense	73	78
(Gains)/Losses arising from settlements	-	2
Actuarial (gains)/losses on other long-term benefits	39	42
Other changes	(4)	(4)
Total	**148**	**152**

Millions of euro

	2017	2016
Change in (gains)/losses in OCI		
Return on plan assets excluding amounts included in interest income	(53)	(40)
Actuarial (gains)/losses on defined benefit plans	(71)	365
Changes in asset ceiling excluding amounts included in interest income	16	(20)
Other changes	9	(9)
Total	**(99)**	**296**

The change in cost recognized through profit or loss was equal to €4 million. The impact on profit or loss is therefore essentially in line with 2016.

The liability recognized in the balance sheet at the end of the year is reported net of the fair value of plan assets, amounting to €1,317 million at December 31, 2017. Those assets, which are entirely in Spain and Brazil, break down as follows.

	2017	2016
Investments quoted in active markets		
Equity instruments	4%	2%
Fixed-income securities	37%	35%
Investment property	5%	5%
Other	-	1%
Unquoted investments		
Assets held by insurance undertakings	-	-
Other	54%	57%
Total	**100%**	**100%**

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

	Italy	Iberia	South America	Other	Italy	Iberia	South America	Other
			2017				2016	
Discount rate	0.20%-1.50%	0.65%-1.67%	5.00%-9.93%	1.50%-7.18%	0.30%-1.40%	0.64%-1.75%	4.70%-12.31%	1.40%-8.36%
Inflation rate	1.50%	2.00%	3.00%-4.25%	1.50%-4.22%	1.40%	2.00%	3.00%-6.00%	1.40%-4.84%
Rate of wage increases	1.50%-3.50%	2.00%	3.00%-7.38%	3.00%-4.22%	1.40%-3.40%	2.00%	3.00%-9.19%	2.90%-4.84%
Rate of increase in healthcare costs	2.50%	3.20%	3.00%-8.00%	-	2.40%	3.20%	3.50%-9.19%	-
Expected rate of return on plan assets	-	1.65%	9.72%-9.78%	-	-	1.74%	12.20%-12.31%	-

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

Millions of euro	Pension benefits	Electricity discount	Health insurance	Other benefits	Pension benefits	Electricity discount	Health insurance	Other benefits
		at Dec. 31, 2017				at Dec. 31, 2016		
Decrease of 0.5% in discount rate	155	60	15	4	159	75	12	4
Increase of 0.5% in discount rate	(121)	(55)	(18)	(10)	(136)	(69)	(15)	(10)
Increase of 0.5% in inflation rate	(20)	(63)	(14)	(9)	30	74	2	2
Decrease of 0.5% in inflation rate	47	61	12	1	(20)	(67)	(18)	(10)
Increase of 0.5% in remuneration	32	(1)	-	1	8	-	-	1
Increase of 0.5% in pensions currently being paid	35	(1)	-	(3)	12	-	-	(3)
Increase of 1% in healthcare costs	-	-	28	-	-	-	20	-
Increase of 1 year in life expectancy of active and retired employees	54	25	147	(3)	50	12	5	(3)

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

The contributions expected to be paid into defined benefit plans in the subsequent year amount to €34 million.

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

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016
Within 1 year	197	204
In 1-2 years	184	186
In 2-5 years	591	589
More than 5 years	1,030	1,058

35. Provisions for risks and charges - *€6,031 million*

Millions of euro

	at Dec. 31, 2017		at Dec. 31, 2016	
	Non-current	Current	Non-current	Current
Provision for litigation, risks and other charges:				
- nuclear decommissioning	538	-	567	-
- retirement, removal and site restoration	814	64	754	35
- litigation	861	70	698	36
- environmental certificates	-	29	-	7
- taxes and duties	300	23	290	56
- other	778	637	770	859
Total	**3,291**	**823**	**3,079**	**993**
Provision for early retirement incentives	1,530	387	1,902	440
TOTAL	**4,821**	**1,210**	**4,981**	**1,433**

Millions of euro	at Dec. 31, 2016	Accruals	Reversals	Utilization	Unwinding of interest	Change in scope of consolidation	Translation adjustment	Other	**at Dec. 31, 2017**
Provision for litigation, risks and other charges:									
- nuclear decommissioning	567	-	-	-	7	-	-	(36)	538
- retirement, removal and site restoration	789	32	(16)	(41)	12	(11)	(16)	129	878
- litigation	734	138	(139)	(92)	40	168	(79)	161	931
- environmental certificates	7	29	(4)	(3)	-	-	-	-	29
- taxes and duties	346	60	(28)	(59)	9	2	(4)	(3)	323
- other	1,629	374	(274)	(193)	109	58	(57)	(231)	1,415
Total	**4,072**	**633**	**(461)**	**(388)**	**177**	**217**	**(156)**	**20**	**4,114**
Provision for early retirement incentives	2,342	48	(40)	(422)	5	-	-	(16)	1,917
TOTAL	**6,414**	**681**	**(501)**	**(810)**	**182**	**217**	**(156)**	**4**	**6,031**

Nuclear decommissioning provision

At December 31, 2017, the provision reflected solely the costs that will be incurred at the time of decommissioning of nuclear plants by Endesa in respect of Enresa, a Spanish public enterprise responsible for such activities in accordance with Royal Decree 1349/2003 and Law 24/2005. Quantification of the costs is based on the standard contract between Enresa and the electricity companies approved by the Ministry for the Economy in September 2001, which regulates the retirement and closing of nuclear power plants. The time horizon envisaged, three years, corresponds to the period from the termination of power generation to the transfer of plant management to Enresa (so-called post-operational costs) and takes into account, among the various assumptions used to estimate the amount, the quantity of unused nuclear fuel expected at the date of closure of each of the Spanish nuclear plants on the basis of the provisions of the concession agreement.

Non-nuclear plant retirement and site restoration provision

The provision for "non-nuclear plant retirement and site restoration" represents the present value of the estimated cost for the retirement and removal of non-nuclear plants where there is a legal or constructive obligation to do so. The provision mainly regards the Endesa Group, Enel Produzione and the companies in South America.

Litigation provision

The "litigation" provision covers contingent liabilities in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The estimates are based on the opinions of internal and external legal counsel. The balance for litigation mainly regards disputes concerning service quality and disputes with employees, end users or suppliers of the companies in Spain (€201 million), Italy (€199 million) and South America (€520 million).

The increase compared with the previous year, equal to €197 million, mainly reflects the change in the scope of consolidation with the acquisition of Enel Distribuição Goiás and provisions for disputes with employees, partly offset by reversals and uses, primarily in Iberia and Italy.

Provision for environmental certificates

The provision for "environmental certificates" covers costs in respect of shortfalls in the environmental certificates need for compliance with national or supranational environmental protection requirements and mainly regards Enel Energia and Enel Produzione.

Provision for charges in respect of taxes and duties

The provision for "charges in respect of taxes and duties" reports the estimated liability deriving from tax disputes concerning direct and indirect taxes. The balance of the provision also includes the provision for current and potential disputes concerning local property tax – whether the *Imposta Comunale sugli Immobili* ("ICI") or the new *Imposta Municipale Unica* ("IMU") – in Italy. The Group has taken due account of the criteria introduced with circular 6/2012 of the Public Land Agency (which resolved interpretive issues concerning the valuation methods for movable assets considered relevant for property registry purposes, including certain assets typical to generation plants, such as turbines) in estimating the liability for such taxes, both for the purposes of quantifying the probable risk associated with pending litigation and generating a reasonable valuation of probable future charges on positions that have not yet been assessed by Land Agency offices and municipalities.

Other provisions

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

The decrease of €214 million for the year is mainly due to the reversal of provisions for the dispute with the Region of Sardinia concerning the Tirso 1 and Tirso 2 plants, the reversal of the provision recognized by Enel Trade for onerous contracts for the supply of natural gas and the reversal of the risk provision recognized for regulatory disputes concerning the self-consumption of power generators in Spain.

Provision for early retirement incentives

The "provision for early retirement incentives" includes the estimated charges related to binding agreements for the vo-

luntary termination of employment contracts in response to organizational needs. The reduction of €425 million for the year reflects, among other factors, uses for incentive provisions established in Spain and Italy in previous years.
In Italy, the latter is largely associated with the union-company agreements signed in September 2013 and December 2015, implementing, for a number of companies in Italy, the mechanism provided for under Article 4, paragraphs 1-7 *ter*, of Law 92/2012 (the Fornero Act). The latter agreement envisages the voluntary termination, in Italy, of about 6,100 employees in 2016-2020.

In Spain, the provisions regard the expansion, in 2015, of the *Acuerdo de Salida Voluntaria* (ASV) introduced in Spain in 2014. The ASV mechanism was agreed in Spain in connection with Endesa's restructuring and reorganization plan, which provides for the suspension of the employment contract with tacit annual renewal. With regard to that plan, on December 30, 2014, the company had signed an agreement with union representatives in which it undertook to not exercise the option to request a return to work at subsequent annual renewal dates for the employees participating in the mechanism.

36. Other non-current liabilities - *€2,003 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Accrued operating expenses and deferred income	929	973	(44)	-4.5%
Other items	1,074	883	191	21.6%
Total	**2,003**	**1,856**	**147**	**7.9%**

At December 31, 2017 the item was essentially accounted for by revenue for electricity and gas connections and grants received in respect of specific assets. The increase in "Other items" mainly regarded an increase in a number of regulatory liabilities in Argentina and Brazil, totaling €113 million, and the reclassification from the early retirement incentive provision of amounts to be paid to employees who terminated their employment in implementation of the provisions of Article 4 of Law 92/2012 (€87 million net of payments made).

37. Trade payables - *€12,671 million*

The item amounted to €12,671 million (€12,688 million in 2016) and includes payables in respect of electricity supplies, fuel, materials, equipment associated with tenders and other services.

More specifically, trade payables falling due in less than 12 months amounted to €11,965 million (€12,230 million in 2016), while those falling due in more than 12 months amounted to €706 million (€458 million in 2016).

38. Other current financial liabilities - *€954 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Deferred financial liabilities	857	842	15	1.8%
Other items	97	422	(325)	-77.0%
Total	**954**	**1,264**	**(310)**	**-24.5%**

The decrease in other current financial liabilities mainly reflects a decline in financial debt (€296 million) as a result of the change in the method used to finance the rate deficit in the Spanish electrical system. See note 28.1 in these notes to the financial statements for more information.

"Deferred financial liabilities" regard accrued expense on bonds.

39. Net financial position and long-term financial receivables and securities - *€37,410 million*

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

Millions of euro

	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016	Change	
Long-term borrowings	41	42,439	41,336	1,103	2.7%
Short-term borrowings	41	1,894	5,372	(3,478)	-64.7%
Other current financial payables [1]		-	296	(296)	-
Current portion of long-term borrowings	41	7,000	4,384	2,616	59.7%
Other non-current financial assets included in debt	24.1	(2,444)	(2,621)	177	6.8%
Other current financial assets included in debt	28.1	(4,458)	(2,924)	(1,534)	52.5%
Cash and cash equivalents	30	(7,021)	(8,290)	1,269	15.3%
Total		**37,410**	**37,553**	**(143)**	**-0.4%**

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

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at December 31, 2017, and December 31, 2016, reconciled with net financial debt as provided for in the presentation methods of the Enel Group.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Cash and cash equivalents on hand	343	298	45	15.1%
Bank and post office deposits	6,486	7,777	(1,291)	-16.6%
Other investments of liquidity	192	215	(23)	-10.7%
Securities	69	36	33	91.7%
Liquidity	**7,090**	**8,326**	**(1,236)**	**-14.8%**
Short-term financial receivables	3,253	1,993	1,260	63.2%
Factoring receivables	42	128	(86)	-67.2%
Short-term portion of long-term financial receivables	1,094	767	327	42.6%
Current financial receivables	**4,389**	**2,888**	**1,501**	**52.0%**
Short-term bank debt	(249)	(909)	660	72.6%
Commercial paper	(889)	(3,059)	2,170	70.9%
Short-term portion of long-term bank debt	(1,346)	(749)	(597)	-79.7%
Bonds issued (short-term portion)	(5,429)	(3,446)	(1,983)	-57.5%
Other borrowings (short-term portion)	(225)	(189)	(36)	-19.0%
Other short-term financial payables (1)	(756)	(1,700)	944	-55.5%
Total short-term financial debt	**(8,894)**	**(10,052)**	**1,158**	**11.5%**
Net short-term financial position	**2,585**	**1,162**	**1,423**	**-**
Debt to banks and financing entities	(8,310)	(7,446)	(864)	-11.6%
Bonds	(32,285)	(32,401)	116	0.4%
Other borrowings	(1,844)	(1,489)	(355)	-23.8%
Long-term financial position	**(42,439)**	**(41,336)**	**(1,103)**	**-2.7%**
NET FINANCIAL POSITION as per CONSOB instructions	**(39,854)**	**(40,174)**	**320**	**0.8%**
Long-term financial receivables and securities	**2,444**	**2,621**	**(177)**	**-6.8%**
NET FINANCIAL DEBT	**(37,410)**	**(37,553)**	**143**	**0.4%**

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

40. Other current liabilities - *€12,462 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change	
Payables due to customers	1,824	1,785	39	2.2%
Payables due to institutional market operators	4,765	4,617	148	3.2%
Payables due to employees	422	436	(14)	-3.2%
Other tax payables	1,323	1,071	252	23.5%
Payables due to social security institutions	218	215	3	1.4%
Contingent consideration	56	85	(29)	-34.1%
Payables for put options granted to minority shareholders	1	403	(402)	-
Current accrued expenses and deferred income	302	325	(23)	-7.1%
Payables for acquisition of equity investments	-	-	-	-
Liabilities for construction contracts	364	358	6	1.7%
Payables for dividends	1,541	1,410	131	9.3%
Other	1,646	1,436	210	14.6%
Total	**12,462**	**12,141**	**321**	**2.6%**

"Payables due to customers" include €984 million (€1,038 million at December 31, 2016) in security deposits related to amounts received from customers in Italy as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the company does not have an unconditional right to defer repayment beyond 12 months.

"Payables due to institutional market operators" include payables arising from the application of equalization mechanisms to electricity purchases on the Italian market amounting to €3,042 million (€3,069 million at December 31, 2016), on the Spanish market amounting to €1,399 million (€1,285 million at December 31, 2016) and on the South American market amounting to €324 million (€263 million at December 31, 2016).

"Contingent consideration" regards a number of investees held primarily by Enel Green Power Brasil Participações whose fair value was determined on the basis of the terms and conditions of the contractual agreements between the parties.

The item "Payables for put options granted to minority shareholders" had decreased to nearly zero at December 31, 2017, with €401 million attributable to the liability in respect of the put option on 13.6% of e-distribuţie Muntenia and Enel Energie Muntenia, which was paid in 2017.

41. Financial instruments

This note provide disclosure necessary for users to assess the significance of financial instruments for the company's financial position and performance.

41.1 Financial assets by category

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

Millions of euro		Non-current		Current	
	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Loans and receivables	41.1.1	**2,062**	**2,181**	**25,939**	**24,684**
Available-for-sale financial assets	41.1.2	**1,916**	**1,658**	**85**	**35**
Financial assets held to maturity	41.1.3	**-**	**-**	**-**	**-**
Financial assets at fair value through profit or loss					
Financial assets designated upon initial recognition (fair value option)	41.1.4	-	-	-	-
Derivative financial assets at FVTPL	41.1.4	17	21	1,982	3,027
Assets held for trading	41.1.4	-	-	-	1
Total financial assets at fair value through profit or loss		**17**	**21**	**1,982**	**3,028**
Derivative financial assets designated as hedging instruments					
Fair value hedge derivatives	41.1.5	23	36	-	1
Cash flow hedge derivatives	41.1.5	662	1,552	327	917
Total derivative financial assets designated as hedging instruments		**685**	**1,588**	**327**	**918**
TOTAL		**4,680**	**5,448**	**28,333**	**28,665**

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

41.1.1 Loans and receivables

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

Millions of euro	Non-current			Current		
	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016
Cash and cash equivalents		-	-	30	7,021	8,290
Trade receivables	27	-	-	27	14,529	13,506
Short-term portion of long-term financial receivables		-	-	28.1	1,094	767
Receivables for factoring		-	-	28.1	42	128
Cash collateral		-	-	28.1	2,664	1,082
Other financial receivables	24.1	2,062	2,181	28.1	589	911
Total		**2,062**	**2,181**		**25,939**	**24,684**

Trade receivables from customers at December 31, 2017 amounted to €14,529 million (€13,506 million at December 31, 2016) and are recognized net of allowances for impairment losses, which amounted to €2,402 million at the end of the year, compared with the opening balance of €2,028 million.

The table below shows impairment losses on trade receivables.

Millions of euro	at Dec. 31, 2017	at Dec. 31, 2016
Trade receivables		
Gross value	16,931	15,534
Allowances for impairment	(2,402)	(2,028)
Net value	**14,529**	**13,506**

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

Millions of euro	
Opening balance at January 1, 2016	**2,085**
Charge for the year	873
Utilized	(548)
Unused amounts reversed	(151)
Other changes	(231)
Closing balance at December 31, 2016	**2,028**
Opening balance at January 1, 2017	**2,028**
Charge for the year	1,204
Utilized	(601)
Unused amounts reversed	(310)
Other changes	81
Closing balance at December 31, 2017	**2,402**

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

41.1.2 Available-for-sale financial assets

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

Millions of euro	Non-current			Current		
	Notes	at Dec. 31, 2017	at Dec. 31, 2016	Notes	at Dec. 31, 2017	at Dec. 31, 2016
Equity investments in other companies	24	58	196	24	-	-
Available-for-sale securities	24.1	382	440	28.1	69	35
Service concession arrangements	24	1,476	1,022		16	-
Total		**1,916**	**1,658**		**85**	**35**

Changes in financial assets available for sale

Millions of euro	Non-current	Current
Opening balance at January 1, 2017	**1,658**	**35**
Increases	-	-
Decreases	(1)	-
Changes in fair value through OCI	-	-
Reclassifications	215	13
Other changes	44	37
Closing balance at December 31, 2017	**1,916**	**85**

41.1.3 Financial assets held to maturity

There were no financial assets held to maturity.

41.1.4 Financial assets at fair value through profit or loss

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

Millions of euro		Non-current			Current	
	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016
Derivatives at FVTPL	44	17	**21**	44	1,982	**3,027**
Securities held for trading		-	-	28.1	-	1
Financial investments in funds	24.1	-	-		-	-
Total financial assets designated upon initial recognition (fair value option)		**-**	**-**		**-**	**-**
TOTAL		**17**	**21**		**1,982**	**3,028**

41.1.5 Derivative financial assets designated as hedging instruments

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

41.2 Financial liabilities by category

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

Millions of euro		Non-current		Current	
	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Financial liabilities measured at amortized cost	41.2.1	**42,439**	**41,336**	**21,565**	**22,444**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities at FVTPL	41.4	21	22	1,980	3,016
Total financial liabilities at fair value through profit or loss		**21**	**22**	**1,980**	**3,016**
Derivative financial liabilities designated as hedging instruments					
Fair value hedge derivatives	41.4	7	15	6	1
Cash flow hedge derivatives	41.4	2,970	2,495	274	305
Total derivative financial liabilities designated as hedging instruments		**2,977**	**2,510**	**280**	**306**
TOTAL		**45,437**	**43,968**	**23,825**	**25,766**

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

41.2.1 Financial liabilities measured at amortized cost

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

Millions of euro	Non-current			Current		
	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016
Long-term borrowings	41.3	42,439	41,336	41.3	7,000	4,384
Short-term borrowings		-	-	41.3	1,894	5,372
Trade payables	37	-	-	37	12,671	12,688
Total		**42,439**	**41,336**		**21,565**	**22,444**

41.3 Borrowings

41.3.1 Long-term borrowings (including the portion falling due within 12 months) - *€49,439 million*

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

The table reports the situation of long-term borrowings and repayment schedules at December 31, 2017, broken down by type of borrowing and interest rate.

Millions of euro	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Changes in carrying amount
	at Dec. 31, 2017					at Dec. 31, 2016					
Bonds:											
- listed, fixed rate	25,862	25,275	4,679	20,596	29,561	26,426	25,770	1,583	24,187	30,332	(495)
- listed, floating rate	2,942	2,926	684	2,242	3,201	3,338	3,320	376	2,944	3,673	(394)
- unlisted, fixed rate	8,532	8,458	-	8,458	9,257	5,660	5,619	1,422	4,197	6,240	2,839
- unlisted, floating rate	1,055	1,055	66	989	1,051	1,138	1,138	65	1,073	1,132	(83)
Total bonds	**38,391**	**37,714**	**5,429**	**32,285**	**43,070**	**36,562**	**35,847**	**3,446**	**32,401**	**41,377**	**1,867**
Bank borrowings:											
- fixed rate	1,545	1,533	293	1,240	4,155	1,283	1,278	152	1,126	1,372	255
- floating rate	8,146	8,116	1,053	7,063	8,445	6,951	6,902	597	6,305	7,187	1,214
- use of revolving credit lines	8	7	-	7	7	15	15	-	15	15	(8)
Total bank borrowings	**9,699**	**9,656**	**1,346**	**8,310**	**12,607**	**8,249**	**8,195**	**749**	**7,446**	**8,574**	**1,461**
Non-bank borrowings:											
- fixed rate	1,884	1,865	198	1,667	2,149	1,549	1,548	159	1,389	1,565	317
- floating rate	223	204	27	177	231	130	130	30	100	138	74
Total non-bank borrowings	**2,107**	**2,069**	**225**	**1,844**	**2,380**	**1,679**	**1,678**	**189**	**1,489**	**1,703**	**391**
Total fixed-rate borrowings	**37,823**	**37,131**	**5,170**	**31,961**	**45,122**	**34,918**	**34,215**	**3,316**	**30,899**	**39,509**	**2,916**
Total floating-rate borrowings	**12,374**	**12,308**	**1,830**	**10,478**	**12,935**	**11,572**	**11,505**	**1,068**	**10,437**	**12,145**	**803**
TOTAL	**50,197**	**49,439**	**7,000**	**42,439**	**58,057**	**46,490**	**45,720**	**4,384**	**41,336**	**51,654**	**3,719**

The balance for bonds is reported net of €860 million in respect of the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", which the Parent Company holds in portfolio.

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

Long-term financial debt by currency and interest rate

Millions of euro	Carrying amount	Nominal value	Carrying amount	Nominal value	Current average nominal interest rate	Current effective interest rate
	at Dec. 31, 2017		at Dec. 31, 2016		at Dec. 31, 2017	
Euro	**25,925**	**26,449**	**25,546**	**26,127**	**3.4%**	**3.8%**
US dollar	13,521	13,658	9,879	9,978	4.9%	5.0%
Pound sterling	4,786	4,835	4,955	5,011	6.1%	6.2%
Colombian peso	1,618	1,618	1,872	1,872	8.3%	8.3%
Brazilian real	1,201	1,230	1,088	1,098	9.5%	9.6%
Swiss franc	687	688	539	540	2.4%	2.4%
Chilean peso/UF	465	475	490	501	7.1%	7.2%
Peruvian sol	385	385	437	437	6.3%	6.3%
Russian ruble	245	245	295	295	10.6%	10.6%
Japanese yen	233	233	255	255	2.4%	2.5%
Other currencies	373	381	364	376		
Total non-euro currencies	**23,514**	**23,748**	**20,174**	**20,363**		
TOTAL	**49,439**	**50,197**	**45,720**	**46,490**		

Long-term financial debt denominated in currencies other than the euro increased by €3,340 million. The change is largely attributable to new borrowing in US dollars by Enel Finance International.

Change in the nominal value of long-term debt

Millions of euro	Nominal value	Repayments	Change in own bonds	Change in scope of consolidation	Exchange offer	New financing	Exchange differences	Reclassification from/to assets/ (liabilities) held for sale	Nominal value
	at Dec. 31, 2016								**at Dec. 31, 2017**
Bonds	36,562	(4,878)	(19)	-	-	8,992	(1,850)	(416)	38,391
Borrowings	9,928	(1,357)	-	230	-	3,292	(287)	-	11,806
Total financial debt	**46,490**	**(6,235)**	**(19)**	**230**	**-**	**12,284**	**(2,137)**	**(416)**	**50,197**

Compared with December 31, 2016, the nominal value of long-term debt at December 31, 2017 increased by €3,707 million, the net effect of €12,284 million in new borrowings and €230 million from the change in the scope of consolidation, partly offset by repayments of €6,235 million and exchange differences of €2,137 million, as well as the reclassification to "assets/liabilities held for sale" of the debt associated with the Mexican project companies (the "Kino Project"). The change in the scope of consolidation mainly reflects the increase in debt following the acquisition in February 2017 of the Brazilian distribution company Enel Distribuição Goiás, partly offset by the decrease in debt associated with the disposal in November 2017 of the Caney River and Rocky Ridge wind farms in the United States.

The main repayments in 2017 concerned bonds in the amount of €4,878 million and borrowings totaling €1,357 million.

More specifically, the main bonds maturing in 2017 included:

- a fixed-rate bond (€909 million) issued by Enel SpA, maturing in June 2017;
- a fixed-rate bond (€637 million) issued by Enel Finance International, maturing in July 2017;
- a fixed-rate bond in US dollars (the equivalent of €1,254 million) issued by Enel Finance International, maturing in September 2017;
- bonds (the equivalent of €479 million) issued by a number of South American companies, maturing in 2017.

In addition, in August 2017 Enel Finance International repurchased bonds it had issued in US dollars with an original maturity of October 2019. The transaction was part of the strategy to optimize the structure of the Enel Group's liabilities.

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

- €224 million in respect of subsidized loans of e-distribuzione and Enel Produzione;
- €123 million in respect of bank borrowings of Endesa, of which €13 million in subsidized loans;
- €131 million in respect of bank borrowings of Enel Green Power SpA, of which €40 million in subsidized loans;
- the equivalent of €57 million in respect of bank borrowings of Enel Russia, of which €12 million in subsidized loans;
- the equivalent of €107 million in respect of loans of Enel Green Power North America;
- the equivalent of €467 million in respect of loans of companies in South America.

The main new borrowing carried out in 2017 involved bonds in the amount of €8,992 million and borrowings of €3,292 million.

The table below shows the main characteristics of financial transactions carried out in 2017.

Issuer/Borrower	Issue/Grant date	Amount in millions of euro	Currency	Interest rate	Interest rate type	Maturity
Bonds						
Enel Finance International	16.01.2017	1,250	€	1.14%	Fixed rate	16.09.2024
Enel Finance International	03.03.2017	192	CHF	0.55%	Fixed rate	03.09.2024
Enel Finance International	25.05.2017	1,668	USD	2.88%	Fixed rate	25.05.2022
Enel Finance International	25.05.2017	1,668	USD	3.62%	Fixed rate	25.05.2027
Enel Finance International	25.05.2017	834	USD	4.75%	Fixed rate	25.05.2047
Enel Finance International	06.10.2017	1,042	USD	2.75%	Fixed rate	06.04.2023
Enel Finance International	06.10.2017	1,042	USD	3.50%	Fixed rate	06.04.2028
Enel Finance International	06.10.2017	417	USD	4.75%	Fixed rate	25.05.2047
Enel Distribución Rio	15.12.2017	149	BRL	CDI + 1.14%	Floating rate	15.12.2020
Enel Distribución Ceará	15.12.2017	87	BRL	CDI + 0.80%	Floating rate	15.12.2022
Total bonds		**8,349**				
Bank borrowings						
Enel SpA	27.04.2017	150	€	Euribor 3M + 37.5 bps	Floating rate	27.04.2020
Enel SpA	15.06.2017	450	€	Euribor 6M+ 33.5 bps	Floating rate	15.07.2020
Enel SpA	10.07.2017	200	€	Euribor 6M + 20 bps	Floating rate	26.06.2021
Enel SpA	10.07.2017	189	USD	Libor 3M+ 71.8 bps	Floating rate	12.07.2021
Endesa	18.01.2017	150	€	Euribor 6M + 38 bps	Floating rate	18.01.2029
Endesa	20.02.2017	150	€	Euribor 6M + 39 bps	Floating rate	20.02.2029
Enel Green Power Projetos I	09.11.2017	211	USD	3.19%	Fixed rate	08.11.2019
Total bank borrowings		**1,500**				

During 2017, Enel SpA and Enel Finance International agreed a €10 billion revolving credit line with a pool of banks maturing in December 2022. The facility, which replaces an existing €9.44 billion credit line renegotiated in 2015 with a five-year maturity, was undrawn at December 31, 2017.

The Group's main long-term financial liabilities are governed by covenants that are commonly adopted in international business practice. These liabilities primarily regard the bond issues carried out within the framework of the Global/Euro Medium-Term Notes program, issues of subordinated unconvertible hybrid bonds (so-called "hybrid bonds") and loans granted by banks and other financial institutions (including the European Investment Bank and Cassa Depositi e Prestiti SpA).

The main covenants regarding bond issues carried out within the framework of the Global/Euro Medium-Term Notes program of (i) Enel and Enel Finance International NV (including the Green Bonds of Enel Finance International NV guaranteed by Enel SpA, which are used to finance the Group's so-called eligible green projects) and of (ii) Endesa Capital SA and International Endesa BV, can be summarized as follows:

> negative pledge clauses under which the issuer and the guarantor may not establish or maintain mortgages, liens or other encumbrances on all or part of its assets or revenue to secure certain financial liabilities, unless the same encumbrances are extended equally or pro rata to the bonds in question;
> pari passu clauses, under which the bonds and the associated security constitute a direct, unconditional and unsecured obligation of the issuer and the guarantor and are issued without preferential rights among them and have at least the same seniority as other present and future unsubordinated and unsecured bonds of the issuer and the guarantor;
> cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer, the guarantor or, in some cases, "significant" subsidiaries constitutes a default in respect of the liabilities in question, which become immediately repayable.

In 2017, Enel Finance International NV issued a number of bonds on the US market with guarantees from Enel. Their main covenants are the same as those for bond issues carried out under the Euro Medium-Term Notes program.

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

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

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

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

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

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

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

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

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

Hedged long-term financial debt by currency

Millions of euro

	at Dec. 31, 2017					
	Initial debt structure			Impact of hedge	Debt structure after hedging	
	Carrying amount	Nominal amount	%			%
Euro	**25,925**	**26,449**	**52.7**	**15,144**	**41,593**	**82.9**
US dollar	13,521	13,658	27.2	(10,577)	3,081	6.1
Pound sterling	4,786	4,835	9.6	(4,835)	-	-
Colombian peso	1,618	1,618	3.2	29	1,647	3.3
Brazilian real	1,201	1,230	2.5	977	2,207	4.4
Swiss franc	687	688	1.4	(688)	-	-
Chilean peso/UF	465	475	0.9	-	475	0.9
Peruvian sol	385	385	0.8	-	385	0.8
Russian ruble	245	245	0.5	100	345	0.7
Japanese yen	233	233	0.5	(233)	-	-
Other currencies	373	381	0.7	83	464	0.9
Total non-euro currencies	**23,514**	**23,748**	**47.3**	**(15,144)**	**8,604**	**17.1**
TOTAL	**49,439**	**50,197**	**100.0**	**-**	**50,197**	**100.0**

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

Millions of euro

	2017				2016			
	Pre-hedge	%	Post-hedge	%	Pre-hedge	%	Post-hedge	%
Floating rate	14,268	27.4	11,358	21.8	17,240	33.1	14,667	28.1
Fixed rate	37,823	72.6	40,733	78.2	34,918	66.9	37,491	71.9
Total	**52,091**		**52,091**		**52,158**		**52,158**	

At December 31, 2017, 27.4% of financial debt was floating rate (33.1% at December 31, 2016). Taking account of hedges of interest rates considered effective pursuant to the IFRS-EU, 21.8% of net financial debt (28.1% at December 31, 2016) was exposed to interest rate risk. Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, 78% of net financial debt was hedged (72% hedged at December 31, 2016).

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

at Dec. 31, 2016					
Initial debt structure			Impact of hedge	Debt structure after hedging	
Carrying amount	Nominal amount	%			%
25,546	**26,127**	**56.2**	**12,220**	**38,347**	**82.5**
9,879	9,978	21.5	(6,889)	3,089	6.6
4,955	5,011	10.8	(5,011)	-	-
1,872	1,872	4.0	-	1,872	4.0
1,088	1,098	2.4	276	1,374	3.0
539	540	1.2	(540)	-	-
490	501	1.1	-	501	1.1
437	437	0.9	-	437	0.9
295	295	0.6	112	407	0.9
255	255	0.5	(255)	-	-
364	376	0.8	87	463	1.0
20,174	**20,363**	**43.8**	**(12,220)**	**8,143**	**17.5**
45,720	**46,490**	**100.0**	**-**	**46,490**	**100.0**

41.3.2 Short-term borrowings - *€1,894 million*

At December 31, 2017 short-term borrowings amounted to €1,894 million, a decrease of €3,478 million on December 31, 2016. They break down as follows.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Short-term bank borrowings	249	909	(660)
Commercial paper	889	3,059	(2,170)
Cash collateral on derivatives and other financing	449	1,286	(837)
Other short-term borrowings (1)	307	118	189
Short-term borrowings	**1,894**	**5,372**	**(3,478)**

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

Short-term bank borrowings amounted to €249 million.

The payables represented by commercial paper relate to issues outstanding at the end of December 2017 under the €6,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, which was renewed in April 2010, as well as the €3,000 million program of International Endesa BV and that of Enel Américas and Enel Generación Chile of $400 million (equal to €334 million).

At December 31, 2017 issues under these programs totaled €889 million pertaining to International Endesa BV. The substantial €2,170 million decline regards the contraction in the exposure of Enel Finance International as a result of a decrease in issues during the year and the reclassification to "assets/liabilities held for sale" of the debt associated with the Mexican project companies (the "Kino Project").

41.4 Derivative financial liabilities

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

41.5 Net gains and losses

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

Millions of euro

	2017		2016	
	Net gains/ (losses)	*Of which impairment/ reversal of impairment*	**Net gains/ (losses)**	*Of which impairment/ reversal of impairment*
Available-for-sale financial assets measured at fair value	81	-	59	-
Available-for-sale financial assets measured at amortized cost	1	-	7	-
Financial assets held to maturity	-	-	(1)	-
Loans and receivables	(701)	*(870)*	(595)	*(764)*
Financial assets at FVTPL				
Financial assets held for trading	-	-	1	-
Financial assets designated upon initial recognition (fair value option)	-	-	(1)	-
Total financial assets at FVTPL	**-**	-	**-**	-
Financial liabilities measured at amortized cost	(1,054)	-	(1,873)	-
Financial liabilities at FVTPL				
Financial liabilities held for trading	1	-	-	-
Financial liabilities designated upon initial recognition (fair value option)	-	-	-	-
Total financial liabilities at FVTPL	**1**	-	**-**	-

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

42. Risk management

Financial risk management governance and objectives

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

As noted in the section "Main risks and uncertainties", the Group's governance arrangements for financial risks include internal committees and the establishment of specific policies and operational limits. Enel's primary objective is to mitigate financial risks appropriately so that they do not give rise to unexpected changes in results.

Market risks

Market risks are mainly composed of interest rate risk, exchange risk and commodity price risk. The sources of Enel's exposure to market risks have not changed since the previous year.

Interest rate risk is primarily generated by the use of financial instruments. The main financial liabilities held by the Group include bonds, bank borrowings, other borrowings, commercial paper, derivatives, cash deposits received to secure commercial or derivatives transactions (guarantees received, cash collateral), liabilities for construction contracts and trade payables. The main financial assets held by the Group include financial receivables, factoring receivables, derivatives, cash deposits made to secure commercial or derivatives transactions (guarantees pledged, cash collateral), cash (and cash equivalents), receivables for construction contracts and trade receivables.

The main purpose of those financial instruments is to support the operations of the Group. For more details, please see note 41 "Financial instruments".

Exchange risk is generated by transactions in fuels and power, industrial investments, dividends from investees, commercial transactions and the use of financial instruments. The consolidated financial statements of the Group are also exposed to translation risk.

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

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

In order to contain the effects of such fluctuations and stabilize margins, in accordance with the Group's policies and operational limits established with the risk governance arrangements, Enel develops and plans strategies that impact the various stages of the industrial process associated with the production and sale of electricity and gas (such as advance sourcing and long-term commercial agreements) and risk mitigation plans and techniques for hedging risks with derivatives.

As part of its governance of market risks, Enel regularly monitors the size of the OTC derivatives portfolio in relation to the threshold values set by regulators for the activation of clearing obligations (EMIR – European Market Infrastructure Regulation – 648/2012 of the European Parliament and of the Council). During 2017, no overshoot of those threshold values was detected.

Interest rate risk

Interest rate risk primarily manifests itself as unexpected changes in charges on financial liabilities, if indexed to floating rates and/or exposed to the uncertainty of financial terms and conditions in negotiating new debt instruments, or as an unexpected change in the value of financial instruments measured at fair value (such as fixed-rate debt).

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

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

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

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

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

Floating-to-floating interest rate swaps transform the indexing criteria for floating-rate financial liabilities.

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

Interest rate options involve the exchange of interest differences calculated on a notional principal amount once certain thresholds (strike prices) are reached. These thresholds specify the effective maximum rate (cap) or the minimum rate (floor) to which the synthetic financial instrument will be indexed as a result of the hedge. Certain hedging strategies provide for the use of combinations of options (collars) that establish the minimum and maximum rates at the same time. In this case, the strike prices are normally set so that no premium is paid on the contract (zero cost collars).

Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to market expectations for future interest rate developments. In addition, interest rate options are also considered most appropriate in periods of greater uncertainty about future interest rate developments because they make it possible to benefit from any decrease in interest rates.

The following table reports the notional amount of interest rate derivatives at December 31, 2017 and December 31, 2016 broken down by type of contract.

Millions of euro	Notional amount	
	2017	2016
Floating-to-fixed interest rate swaps	11,166	11,526
Fixed-to-floating interest rate swaps	884	853
Fixed-to-fixed interest rate swaps	-	-
Floating-to-floating interest rate swaps	165	165
Interest rate options	50	50
Total	**12,265**	**12,594**

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

Interest rate risk sensitivity analysis

Enel analyzes the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and on equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross debt.

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

There were no changes introduced in the methods and as-

sumptions used in the sensitivity analysis compared with the previous year.
With all other variables held constant, the Group's profit before tax would be affected by a change in the level of interest rates as follows.

Millions of euro		2017			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Basis points	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term floating-rate debt after hedging	25	24	(24)	-	-
Change in fair value of derivatives classified as non-hedging instruments	25	8	(8)	-	-
Change in fair value of derivatives designated as hedging instruments					
Cash flow hedges	25	-	-	107	(107)
Fair value hedges	25	(3)	3	-	-

Exchange risk

Exchange risk mainly manifests itself as unexpected changes in the financial statement items associated with transactions denominated in a currency other than the currency of account. The Group's exposure is connected with the purchase or sale of fuels and power, investments (cash flows for capitalized costs), dividends and the purchase or sale of equity investments, commercial transactions and financial assets and liabilities.
In order to minimize the exposure to exchange risk, Enel implements diversified revenue and cost sources geographically, and uses indexing mechanisms in commercial contracts. Enel also uses various types of derivative, typically on the OTC market.
The derivatives in the Group's portfolio of financial instruments include cross currency interest rate swaps, currency forwards and currency swaps. The term of such contracts does not exceed the maturity of the underlying instrument, so that any change in the fair value and/or expected cash flows of such instruments offsets the corresponding change in the fair value and/or cash flows of the hedged position.
Cross currency interest rate swaps are used to transform a long-term financial liability denominated in currency other than the currency of account into an equivalent liability in the currency of account.
Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two principal amounts (deliverable forwards) or payment of the difference generated by differences between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards). In the latter case, the strike rate and/or the spot rate may be determined as averages of the rates observed in a given period.
Currency swaps are contracts in which the counterparties enter into two transactions of the opposite sign at different future dates (normally one spot, the other forward) that provide for the exchange of principal denominated in different currencies.

The following table reports the notional amount of transactions outstanding at December 31, 2017 and December 31, 2016, broken down by type of hedged item.

Millions of euro	Notional amount	
	2017	2016
Cross currency interest rate swaps (CCIRSs) hedging debt denominated in currencies other than the euro	19,004	14,973
Currency forwards hedging exchange risk on commodities	3,526	2,887
Currency forwards hedging future cash flows in currencies other than the euro	6,319	6,036
Currency swaps hedging commercial paper	-	-
Currency forwards hedging loans	-	-
Other currency forwards	300	1,014
Total	**29,149**	**24,910**

More specifically, these include:

> CCIRSs with a notional amount of €19,004 million to hedge the exchange risk on debt denominated in currencies other than the euro (€14,973 million at December 31, 2016);

> currency forwards with a total notional amount of €9,845 million used to hedge the exchange risk associated with purchases and sales of natural gas, purchases of fuel and expected cash flows in currencies other than the euro (€8,923 million at December 31, 2016);

> other currency forwards which include OTC derivatives transactions carried out to mitigate exchange risk on expected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters), on operating expenses for the supply of cloud services and on revenue from the sale of renewable energy.

At December 31, 2017, 47% (44% at December 31, 2016) of Group long-term debt was denominated in currencies other than the euro.

Taking account of hedges of exchange risk, the percentage of debt not hedged against that risk amounted to 17% at December 31, 2017 (18% at December 31, 2016).

Exchange risk sensitivity analysis

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

More specifically, sensitivity analysis measures the potential impact on profit or loss and equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross medium/long-term debt.

These scenarios are obtained by simulating the appreciation/depreciation of the euro against all of the currencies compared with the value observed as at the reporting date.

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

With all other variables held constant, the profit before tax would be affected by changes in exchange rates as follows.

Millions of euro		2017			
		Pre-tax impact on profit or loss		**Pre-tax impact on equity**	
	Exchange rate	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term debt denominated in currencies other than the euro after hedging	10%	-	-	-	-
Change in fair value of derivatives classified as non-hedging instruments	10%	544	(663)	-	-
Change in fair value of derivatives designated as hedging instruments					
Cash flow hedges	10%	-	-	(2,413)	2,946
Fair value hedges	10%	-	-	-	-

Commodity risk

The risk of fluctuations in the price of commodities is mainly associated with the purchase and sale of electricity and fuels at variable prices (e.g. indexed bilateral contracts, transactions on the spot market, etc.).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold by the Group, Enel mainly uses fixed-price contracts in the form of bilateral physical contracts (PPAs) and financial contracts (e.g. contracts for differences, VPP contracts, etc.) in which differences are paid to the counterparty if the market electricity price exceeds the strike price and to Enel in the opposite case. The residual exposure in respect of the sale of energy on the spot market not hedged with such contracts is aggregated by uniform risk factors that can be managed with hedging transactions on the market. Proxy hedging techniques may be used for the industrial portfolios when the hedging instruments for the specific risk factors generating the exposure are not available on the market or are not sufficiently liquid. In addition, Enel uses portfolio hedging techniques to assess opportunities for netting intercompany exposures.

The Group mainly uses plain vanilla derivatives for hedging (more specifically, forwards, swaps, options on commodities, futures, contracts for differences).

Enel also engages in proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations consist in taking on exposures in energy commodities (oil products, gas, coal, CO_2 certificates and electricity) using financial derivatives and physical contracts traded on regulated and over-the-counter markets, optimizing profits through transactions carried out on the basis of expected market developments.

The following table reports the notional amount of outstanding transactions at December 31, 2017 and December 31, 2016, broken down by type of instrument.

Millions of euro	Notional amount	
	2017	2016
Forward and futures contracts	24,824	28,197
Swaps	4,584	6,195
Options	422	308
Embedded derivatives	-	-
Total	**29,830**	**34,700**

For more details, please see note 44 "Derivatives and hedge accounting".

Commodity risk sensitivity analysis

The following table presents the results of the analysis of sensitivity to a reasonably possible change in the commodity prices underlying the valuation model used in the scenario at the same date, with all other variables held constant. The impact on pre-tax profit of shifts of +10% and -10% in the price curve for the main commodities that make up the fuel scenario and the basket of formulas used in the contracts is mainly attributable to the change in the price of gas and petroleum products and, to a lesser extent, of electricity and CO_2. The impact on equity of the same shifts in the price curve is primarily due to changes in the prices of coal and electricity and, to a lesser extent, CO_2.

Millions of euro		2017			
		Pre-tax impact on profit or loss		**Pre-tax impact on equity**	
	Commodity price	Increase	Decrease	Increase	Decrease
Change in the fair value of trading derivatives on commodities	10%	23	(18)	-	-
Change in the fair value of derivatives on commodities designated as hedging instruments	10%	-	-	67	(65)

Credit risk

The Group's commercial, commodity and financial operations expose it to credit risk, i.e. the possibility that a deterioration in the creditworthiness of a counterparty has an adverse impact on the expected value of the creditor position or, for trade payables only, increase average collection times.

Accordingly, the exposure to credit risk is attributable to the following types of operations:

> the sale and distribution of electricity and gas in free and regulated markets and the supply of goods and services (trade receivables);
> trading activities that involve the physical exchange of assets or transactions in financial instruments (the commodity portfolio);
> trading in derivatives, bank deposits and, more generally, financial instruments (the financial portfolio).

In order to minimize credit risk, credit exposures are managed at the Region/Country/Business Line level by different units, thereby ensuring the necessary segregation of risk management and control activities. Monitoring of the consolidated exposure is carried out by Enel SpA.

In addition, at the Group level the policy provides for the use of uniform criteria – in all the main Regions/Countries/Global Business Lines and at the consolidated level – in measuring commercial credit exposures in order to promptly identify any deterioration in the quality of outstanding receivables and any mitigation actions to be taken.

The policy for managing credit risk associated with commercial activities provides for a preliminary assessment of the creditworthiness of counterparties and the adoption of mitigation instruments, such as obtaining collateral or unsecured guarantees.

In addition, the Group undertakes transactions to assign receivables without recourse, which results in the complete derecognition of the corresponding assets involved in the assignment, as the risks and rewards associated with them have been transferred.

Finally, with regard to financial and commodity transactions, risk mitigation is pursued with a uniform system for assessing counterparties at the Group level, including implementation at the level of Regions/Countries/Global Business Lines, as well as with the adoption of specific standardized contractual frameworks that contain risk mitigation clauses (e.g. netting arrangements) and possibly the exchange of cash collateral.

Concentration of customer credit risk

Trade receivables are generated by the Group's operations in many Regions and Countries with a base of customers and counterparties that is highly diversified, whether geographically, sectorally or by size (corporate, residential and government customers). Through its subsidiaries, Enel has more than 60 million customers or counterparties with whom it has generally granular credit exposures.

Financial assets past due but not impaired

Millions of euro

	2017	2016
Impaired trade receivables	**2,402**	**2,028**
Not past due and not impaired trade receivables	**10,425**	**10,006**
Past due but not impaired trade receivables:	**4,105**	**3,499**
- less than 3 months	1,779	1,349
- from 3 months to 6 months	444	288
- from 6 months to 12 months	349	334
- from 12 months to 24 months	343	500
- more than 24 months	1,190	1,028
Total	**16,932**	**15,533**

Liquidity risk

Liquidity risk manifests itself as uncertainty about the Group's ability to discharge its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Enel manages liquidity risk by implementing measures to ensure an appropriate level of liquid financial resources, minimizing the associated opportunity cost and maintaining a balanced debt structure in terms of its maturity profile and funding sources.

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

In the long term, liquidity risk is mitigated by maintaining a balanced maturity profile for our debt, access to a range of sources of funding on different markets, in different currencies and with diverse counterparties.

The mitigation of liquidity risk enables the Group to maintain a credit rating that ensures access to the capital market and limits the cost of funds, with a positive impact on its performance and financial position.

The Group holds the following undrawn lines of credit.

Millions of euro	**at Dec. 31, 2017**		at Dec. 31, 2016	
	Expiring within one year	Expiring beyond one year	Expiring within one year	Expiring beyond one year
Committed credit lines	245	13,761	176	14,214
Uncommitted credit lines	360	1	448	19
Commercial paper	7,464	-	6,320	-
Total	**8,069**	**13,762**	**6,944**	**14,233**

Maturity analysis

The table below summarizes the maturity profile of the Group's long-term debt.

Millions of euro	Maturing in						
	Less than 3 months	From 3 months to 1 year	2019	2020	2021	2022	Beyond
Bonds:							
- listed, fixed rate	2,506	2,173	2,098	2,173	1,320	2,254	12,751
- listed, floating rate	500	184	229	115	168	306	1,274
- unlisted, fixed rate	-	-	-	-	-	1,291	7,167
- unlisted, floating rate	-	66	229	177	111	97	525
Total bonds	**3,006**	**2,423**	**2,556**	**2,465**	**1,599**	**3,948**	**21,717**
Bank borrowings:							
- fixed rate	73	220	398	340	133	53	316
- floating rate	93	960	797	1,374	1,067	545	3,280
- use of revolving credit lines	-	-	-	7	-	-	-
Total bank borrowings	**166**	**1,180**	**1,195**	**1,721**	**1,200**	**598**	**3,596**
Non-bank borrowings:							
- fixed rate	53	145	164	176	173	174	980
- floating rate	7	20	30	30	40	16	61
Total non-bank borrowings	**60**	**165**	**194**	**206**	**213**	**190**	**1,041**
TOTAL	**3,232**	**3,768**	**3,945**	**4,392**	**3,012**	**4,736**	**26,354**

Commitments to purchase commodities

In conducting its business, the Enel Group has entered into contracts to purchase specified quantities of commodities at a certain future date for its own use, which qualify for the own use exemption provided for under IAS 39.

The following table reports the undiscounted cash flows associated with outstanding commitments at December 31, 2017.

Millions of euro

	at Dec. 31, 2017	2015-2019	2020-2024	2025-2029	Beyond
Commitments to purchase commodities:					
- electricity	79,163	19,475	14,596	14,163	30,929
- fuels	42,302	24,671	10,764	5,222	1,645
Total	**121,465**	**44,146**	**25,360**	**19,385**	**32,574**

43. Offsetting financial assets and financial liabilities

At December 31, 2017, the Group did not hold offset positions in assets and liabilities, as it is not the Enel Group's policy to settle financial assets and liabilities on a net basis.

44. Derivatives and hedge accounting

The following tables show the notional amount and the fair value of derivative financial assets and derivative financial liabilities eligible for hedge accounting or measured a FVTPL, classified on the basis of the type of hedge relationship and the hedged risk, broken down into current and non-current instruments.

The notional amount of a derivative contract is the amount on the basis of which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted at the end-year exchange rates provided by the European Central Bank.

Millions of euro	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Fair value hedge derivatives:								
- on interest rates	827	848	23	36	-	20	-	1
Total	**827**	**848**	**23**	**36**	**-**	**20**	**-**	**1**
Cash flow hedge derivatives:								
- on interest rates	780	379	5	3	127	17	1	-
- on exchange rates	3,644	8,057	594	1,531	1,130	3,561	45	464
- on commodities	367	99	63	18	1,975	1,869	281	453
Total	**4,791**	**8,535**	**662**	**1,552**	**3,232**	**5,447**	**327**	**917**
Trading derivatives:								
- on interest rates	394	50	3	3	-	-	-	-
- on exchange rates	134	120	5	7	4,442	3,246	80	70
- on commodities	177	69	9	11	12,909	15,539	1,902	2,957
Total	**705**	**239**	**17**	**21**	**17,351**	**18,785**	**1,982**	**3,027**
TOTAL DERIVATIVE FINANCIAL ASSETS	**6,323**	**9,622**	**702**	**1,609**	**20,583**	**24,252**	**2,309**	**3,945**

Millions of euro	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Fair value hedge derivatives:								
- on interest rates	-	-	-	-	-	-	-	-
- on exchange rates	63	106	7	15	35	7	6	1
- on commodities	-	-	-	-	-	4	-	-
Total	**63**	**106**	**7**	**15**	**35**	**11**	**6**	**1**
Cash flow hedge derivatives:								
- on interest rates	9,899	11,042	556	695	50	31	1	1
- on exchange rates	15,756	5,686	2,375	1,764	2,096	457	114	88
- on commodities	368	352	39	36	1,114	1,096	159	216
Total	**26,023**	**17,080**	**2,970**	**2,495**	**3,260**	**1,584**	**274**	**305**
Trading derivatives:								
- on interest rates	88	88	9	13	100	119	65	73
- on exchange rates	326	37	10	5	1,474	3,633	38	62
- on commodities	18	64	2	4	12,902	15,608	1,877	2,881
Total	**432**	**189**	**21**	**22**	**14,476**	**19,360**	**1,980**	**3,016**
TOTAL DERIVATIVE FINANCIAL LIABILITIES	**26,518**	**17,375**	**2,998**	**2,532**	**17,771**	**20,955**	**2,260**	**3,322**

44.1 Derivatives designated as hedging instruments

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

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

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

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

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

> cash flow hedge derivatives in respect of the risk of: i) changes in the cash flows associated with long-term floating-rate debt; ii) changes in the exchange rates associated with long-term debt denominated in a currency other than the currency of account or the functional currency in which the company holding the financial liability operates; iii) changes in the price of fuels and non-energy commodities denominated in a foreign currency; iv) changes in the price of forecast electricity sales at variable prices; v) changes in the price of transactions in coal and petroleum commodities; vi) changes in the prices of capital goods; vii) changes in operating expenses; and viii) changes in revenue from the sale of electricity;

> fair value hedge derivatives involving the hedging of exposures to changes in the fair value of an asset, a liability or a firm commitment attributable to a specific risk;

> derivatives hedging a net investment in a foreign operation (NIFO), involving the hedging of exposures to exchange rate volatility associated with investments in foreign entities.

For more details on the nature and the extent of risks arising from financial instruments to which the company is exposed, please see note 42 "Risk management".

Cash flow hedges

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

a highly probable transaction that could affect profit or loss.
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.
Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss.
When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting but the hedged item has not expired or been cancelled, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.
When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.
The Group currently uses these hedge relationships to minimize the volatility of profit or loss.

Fair value hedges

Fair value hedges are used to protect the Group against exposures to adverse changes in the fair value of assets, liabilities or firm commitments attributable to a particular risk that could affect profit or loss.
Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk.
If the hedge is ineffective or no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.
The Group currently makes marginal use of such hedge relationships to seize opportunities associated with general developments in the yield curve.

44.1.1 Hedge relationships by type of risk hedged

Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk of transactions outstanding as at December 31, 2017 and December 31, 2016, broken down by type of hedge.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
Hedging instrument	**Hedged item**	**at Dec. 31, 2017**		at Dec. 31, 2016	
Interest rate swaps	Fixed-rate borrowings	22	812	35	853
Interest rate swaps	Floating-rate borrowings	(550)	10,799	(691)	11,484
Interest rate swaps	Floating-rate financial receivables	-	72	-	-
Total		**(528)**	**11,683**	**(656)**	**12,337**

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at December 31, 2017 and December 31, 2016, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Fair value hedge derivatives:								
- interest rate swaps	827	868	23	37	-	-	-	-
Cash flow hedge derivatives:								
- interest rate swaps	907	396	6	3	9,949	11,073	(557)	(696)
Total interest rate derivatives	**1,734**	**1,264**	**29**	**40**	**9,949**	**11,073**	**(557)**	**(696)**

The notional amount of derivatives classified as hedging instruments at December 31, 2017 came to €11,683 million, with a corresponding negative fair value of €528 million. The notional amount decreased by €654 million. More specifically, interest rate swaps with a total value of €1,089 million expired, while new derivatives amounted to €666 million. The value also reflects the reduction in the notional amount of amortizing interest rate swaps.

The improvement in the fair value of €128 million mainly reflects the rise in the long-term segment of the yield curve during the year.

Cash flow hedge derivatives

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

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2017	2018	2019	2020	2021	2022	Beyond
Cash flow hedge derivatives on interest rates:							
- positive fair value	6	1	3	2	1	-	-
- negative fair value	(557)	(93)	(113)	(109)	(88)	(61)	(131)

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

Millions of euro	
Opening balance at January 1, 2016	**(442)**
Changes in fair value recognized in equity (OCI)	(361)
Changes in fair value recognized in profit or loss	35
Closing balance at December 31, 2016	**(768)**
Opening balance at January 1, 2017	**(768)**
Changes in fair value recognized in equity (OCI)	99
Changes in fair value recognized in profit or loss	52
Closing balance at December 31, 2017	**(617)**

Exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on the exchange risk of transactions outstanding as at December 31, 2017 and December 31, 2016, broken down by type of hedged item.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
		at Dec. 31, 2017		at Dec. 31, 2016	
Hedging instrument	**Hedged asset**				
Cross currency interest rate swaps (CCIRSs)	Fixed-rate borrowings	(1,720)	17,616	148	13,988
Cross currency interest rate swaps (CCIRSs)	Floating-rate borrowings	(4)	977	(16)	650
Cross currency interest rate swaps (CCIRSs)	Future cash flows denominated in foreign currencies	(29)	321	(69)	335
Currency forwards	Future commodity purchases denominated in foreign currencies	(130)	3,076	120	2,091
Currency forwards	Future cash flows denominated in foreign currencies	30	552	1	38
Currency forwards	Purchases of investment goods and other	(9)	183	(57)	772
Total		**(1,863)**	**22,725**	**127**	**17,874**

Cash flow hedges and fair value hedges include:

> CCIRSs with a notional amount of €17,616 million used to hedge the exchange risk on fixed-rate debt denominated in currencies other than the euro, with a negative fair value of €1,720 million;

> CCIRSs with a notional amount of €1,298 million used to hedge the exchange risk on floating-rate debt denominated in currencies other than the euro, with a negative fair value of €33 million;

> currency forwards with a notional amount of €3,628 million used to hedge the exchange risk associated with purchases of natural gas, purchases of fuel and expected cash flows in currencies other than the euro, with a negative fair value of €100 million;

> currency forwards with a notional amount of €183 million and a negative fair value of €9 million in respect of OTC transactions to mitigate the exchange risk on expected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters), on operating expenses for the supply of cloud services and on revenue from the sale of renewable energy.

The following table reports the notional amount and fair value of foreign exchange derivatives at December 31, 2017 and December 31, 2016, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Fair value hedge derivatives:								
- currency forwards	-	-	-	-	4	7	-	(1)
- CCIRSs	-	-	-	-	93	106	(13)	(15)
Cash flow hedge derivatives:								
- currency forwards	747	2,521	32	141	3,060	373	(142)	(76)
- CCIRSs	4,028	9,097	607	1,854	14,793	5,770	(2,347)	(1,776)
Total exchange derivatives	**4,775**	**11,618**	**639**	**1,995**	**17,950**	**6,256**	**(2,502)**	**(1,868)**

The notional amount of CCIRSs at December 31, 2017 amounted to €18,914 million (€14,973 million at December 31, 2016), an increase of €3,941 million. Cross currency interest rate swaps with a total value of €1,513 million expired, while cross currency interest rate swaps with a value of €1,660 were closed early. New derivatives amounted to €7,896 million, of which €2,501 million and €4,169 million in respect of bond issues denominated in US dollars in May and October 2017, respectively. The value also reflects developments in the exchange rate of the euro against the main other currencies, which caused their notional amount to decrease by €782 million.

The notional value of currency forwards at December 31, 2017 amounted to €3,807 million (€2,894 million at December 31, 2016), an increase of €913 million. The exposure to exchange risk, especially that associated with the US dollar, is mainly due to purchases of natural gas, purchase of fuel and cash flows in respect of investments. Changes in the notional amount are connected with normal developments in operations.

Cash flow hedge derivatives

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

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2017	2018	2019	2020	2021	2022	Beyond
Cash flow hedge derivatives on exchange rates:							
- positive fair value	638	81	138	66	53	44	493
- negative fair value	(2,488)	(52)	(174)	71	38	(46)	268

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

Millions of euro	
Opening balance at January 1, 2016	**(614)**
Changes in fair value recognized in equity (OCI)	(508)
Changes in fair value recognized in profit or loss	(230)
Closing balance at December 31, 2016	**(1,341)**
Opening balance at January 1, 2017	**(1,341)**
Changes in fair value recognized in equity (OCI)	(211)
Changes in fair value recognized in profit or loss	(88)
Closing balance at December 31, 2017	**(1,640)**

Commodity risk

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Fair value hedge derivatives								
Derivatives on power:								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	-	-	-	-	-	4	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on power	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**-**
Cash flow hedge derivatives								
Derivatives on power:								
- swaps	458	21	39	5	238	4	(22)	-
- forwards/futures	116	87	11	10	545	590	(102)	(66)
- options	-	-	-	-	-	-	-	-
Total derivatives on power	**574**	**108**	**50**	**15**	**783**	**594**	**(124)**	**(66)**
Derivatives on coal:								
- swaps	525	380	84	247	18	1	(1)	-
- forwards/futures	-	-	-	-	-	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on coal	**525**	**380**	**84**	**247**	**18**	**1**	**(1)**	**-**
Derivatives on gas and oil:								
- swaps	45	161	12	44	-	13	-	(2)
- forwards/futures	1,036	1,259	130	149	681	744	(73)	(180)
- options	-	-	-	-	-	-	-	-
Total derivatives on gas and oil	**1,081**	**1,420**	**142**	**193**	**681**	**757**	**(73)**	**(182)**
Derivatives on CO_2:								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	162	60	68	16	-	96	-	(4)
- options	-	-	-	-	-	-	-	-
Total derivatives on CO_2	**162**	**60**	**68**	**16**	**-**	**96**	**-**	**(4)**
TOTAL DERIVATIVES ON COMMODITIES	**2,342**	**1,968**	**344**	**471**	**1,482**	**1,452**	**(198)**	**(252)**

The table reports the notional amount and fair value of derivatives hedging the price risk on commodities at December 31, 2017 and at December 31, 2016, broken down by type of hedge. The positive fair value of cash flow hedge derivatives on commodities regards derivatives on gas and oil commodities in the amount of €142 million, hedges of coal purchases requested by the generation companies in the amount of €84 million, and, to a lesser extent, derivatives on CO_2 (€68 million) and power (€50 million). The first category primarily regards hedges of fluctuations in the price of natural gas, for both purchases and sales, carried out for oil commodities and gas products with physical delivery (all-in-one hedges).

Cash flow hedge derivatives on commodities included in liabilities regard derivatives on power in the amount of €124 million, derivatives on gas and oil commodities in the amount of €73 million and, to a marginal extent, derivatives on coal (€1 million).

Cash flow hedge derivatives

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

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2017	2018	2019	2020	2021	2022	Beyond
Cash flow hedge derivatives on commodities:							
- positive fair value	344	280	28	15	-	-	21
- negative fair value	(198)	(159)	(39)	-	-	-	-

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

Millions of euro	
Opening balance at January 1, 2016	**(622)**
Changes in fair value recognized in equity (OCI)	137
Changes in fair value recognized in profit or loss	830
Closing balance at December 31, 2016	**345**
Opening balance at January 1, 2017	**345**
Changes in fair value recognized in equity (OCI)	409
Changes in fair value recognized in profit or loss	(513)
Closing balance at December 31, 2017	**241**

44.2 Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 2017 and December 31, 2016.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016
Derivatives at FVTPL								
Derivatives on interest rates:								
- interest rate swaps	394	50	3	3	138	157	(68)	(79)
- interest rate options	-	-	-	-	50	50	(6)	(7)
Derivatives on exchange rates:								
- currency forwards	4,576	3,366	85	77	1,759	3,670	(46)	(67)
- CCIRSs	-	-	-	-	90	-	(2)	-
Derivatives on commodities								
Derivatives on power:								
- swaps	776	1,105	125	163	608	1,169	(107)	(172)
- forwards/futures	3,439	5,820	457	1,005	3,500	5,705	(522)	(1,033)
- options	7	16	9	14	16	23	(5)	(9)
Total derivatives on power	**4,222**	**6,941**	**591**	**1,182**	**4,124**	**6,897**	**(634)**	**(1,214)**
Derivatives on coal:								
- swaps	369	1,077	86	387	294	1,069	(57)	(409)
- forwards/futures	29	103	1	15	4	93	-	(2)
- options	-	-	-	-	-	1	-	(1)
Total derivatives on coal	**398**	**1,180**	**87**	**402**	**298**	**1,163**	**(57)**	**(412)**
Derivatives on gas and oil:								
- swaps	534	616	125	205	629	572	(123)	(109)
- forwards/futures	7,653	6,591	823	941	7,483	6,648	(732)	(853)
- options	181	125	254	177	216	143	(293)	(245)
Total derivatives on gas and oil	**8,368**	**7,332**	**1,202**	**1,323**	**8,328**	**7,363**	**(1,148)**	**(1,207)**
Derivatives on CO_2:								
- swaps	-	-	-	-	-	6	-	(3)
- forwards/futures	97	155	30	61	79	243	(34)	(49)
- options	1	-	1	-	1	-	(1)	-
Total derivatives on CO_2	**98**	**155**	**31**	**61**	**80**	**249**	**(35)**	**(52)**
Derivatives on other:								
- swaps	-	-	-	-	90	-	(5)	-
- forwards/futures	-	-	-	-	-	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on other	**-**	**-**	**-**	**-**	**90**	**-**	**(5)**	**-**
Embedded derivatives	-	-	-	-	-	-	-	-
TOTAL DERIVATIVES	**18,056**	**19,024**	**1,999**	**3,048**	**14,957**	**19,549**	**(2,001)**	**(3,038)**

At December 31, 2017 the notional amount of derivatives on interest rates came to €582 million. The fair value of a negative €71 million improved by €12 million on the previous year, mainly due to the rise in the long-term segment of the yield curve.

At December 31, 2017, the notional amount of derivatives on exchange rates was €6,425 million. The decrease in their notional value and the rise in the associated net fair value of €27 million mainly reflected normal operations and developments in exchange rates.

At December 31, 2017, the notional amount of derivatives on commodities came to €26,006 million. The fair value of trading derivatives on commodities classified as assets mainly reflects the market valuation of hedges of gas and oil amounting to €1,202 million and derivatives on power amounting to €591 million.

The fair value of trading derivatives on commodities classified as liabilities mainly regards hedges of gas and oil amounting to €1,148 million and derivatives on power amounting to €634 million.

These values include transactions that, although established for hedging purposes, did not meet the requirements for hedge accounting.

The "Other" category includes hedges using weather derivatives. In addition to commodity risk, the Group companies are also exposed to changes in volumes associated with weather conditions (for example, temperature impacts the consumption of gas and power).

45. Assets measured at fair value

The Group determines fair value in accordance with IFRS 13 whenever such measurement is required by the international accounting standards as a recognition or measurement criterion.

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

The best proxy of fair value is market price, i.e. the current publically available price actually used on a liquid and active market.

The fair value of assets and liabilities is classified in accordance with the three-level hierarchy described below, depending on the inputs and valuation techniques used in determining their fair value:

> Level 1, where the fair value is determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
> Level 2, where the fair value is determined on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices);
> Level 3, where the fair value is determined on the basis of unobservable inputs.

This note also provides detailed disclosures concerning the valuation techniques and inputs used to perform these measurements.

To that end:

> recurring fair value measurements of assets or liabilities are those required or permitted by the IFRS in the balance sheet at the close of each period;
> non-recurring fair value measurements are those required or permitted by the IFRS in the balance sheet in particular circumstances.

For general information or specific disclosures on the accounting treatment of these circumstances, please see note 2 "Accounting policies and measurement criteria".

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the financial statements, the fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	**Fair value**	Level 1	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Equity investments in other companies measured at fair value	24	**6**	4	-	2	**-**	-	-	-
Service concession arrangements	24	**1,476**	-	1,476	-	**16**	-	16	-
Securities available for sale	24.1	**382**	382	-	-	**69**	69	-	-
Loans and receivables measured at fair value	24 and 28	**49**	-	15	34	**41**	41	-	-
Other investments of liquidity at fair value	30	**-**	-	-	-	**203**	101	102	-
Cash flow hedge derivatives:									
- on interest rates	44	**5**	-	5	-	**1**	-	1	-
- on exchange rates	44	**594**	-	594	-	**45**	-	45	-
- on commodities	44	**63**	41	22	-	**281**	216	65	-
Fair value hedge derivatives:									
- on interest rates	44	**23**	-	23	-	**-**	-	-	-
Trading derivatives:									
- on interest rates	44	**3**	-	3	-	**-**	-	-	-
- on exchange rates	44	**5**	-	5	-	**80**	-	80	-
- on commodities	44	**9**	3	6	-	**1,902**	902	1,000	-
Inventories measured at fair value	26	**-**	-	-	-	**45**	1	44	-
Contingent consideration	25	**23**	-	23	-	**-**	-	-	-
Other assets measured at fair value	25	**5**	-	5	-	**-**	-	-	-
Assets classified as held for sale	31	**4**	-	-	4	**-**	-	-	-

The fair value of "Equity investments in other companies" is determined for listed companies on the basis of the quoted price set on the closing date of the year, while that for unlisted companies is based on a reliable valuation of the relevant assets and liabilities.

"Service concession arrangements" concern electricity distribution operations in Brazil, mainly by Enel Distribución Rio, Enel Distribución Ceará and Enel Distribuição Goiás and are accounted for in accordance with IFRIC 12. Fair value was estimated as the net replacement cost based on the most recent rate information available and on the general price index for the Brazilian market.

"Loans and receivables measured at fair value" include (recognized in level 3) the receivable from the disposal of Slovak Power Holding of €189 million at December 31, 2017. The fair value is determined on the basis of the price formula specified in the contract.

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

In accordance with the new international accounting standards, in 2013 the Group included a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk. More specifically, the Group measures CVA/DVA using a Potential Future Exposure valuation technique for the net exposure of the position and subsequently allocating the adjustment to the individual financial instruments that make up the overall portfolio. All of the inputs used in this technique are observable on the market.
The notional amount of a derivative contract is the amount on which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price).

Amounts denominated in currencies other than the euro are converted into euros at the year-end exchange rates provided by the European Central Bank.
The notional amounts of derivatives reported here do not necessarily represent amounts exchanged between the parties and therefore are not a measure of the Group's credit risk exposure. For listed debt instruments, the fair value is given by official prices. For unlisted instruments the fair value is determined using appropriate valuation techniques for each category of financial instrument and market data at the closing date of the year, including the credit spreads of Enel SpA.

45.1 Fair value of other assets

For each class of assets not measured at fair value on a recurring basis but whose fair value must be reported, the following table reports the fair value at the end of the period and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	**Fair value**	Level 1	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Loans and receivables	24 and 28	**649**	-	5	644	**102**	-	-	102
Investment property	18	**111**	-	-	111	**-**	-	-	-
Equity investments in other companies	24	**34**	-	-	34	**-**	-	-	-
Inventories	26	**62**	-	-	62	**-**	-	-	-

The table reports the fair value of investment property and inventories of real estate not used in the business in the amount of €111 million and €62 million respectively. The amounts were calculated with the assistance of appraisals conducted by independent experts, who used different methods depending on the specific assets involved.
The largest aggregate is "Loans and receivables", which essentially reports the receivables of e-distribuzione for the elimination of the Electrical Workers Pension Fund and for the reimbursement of charges connected with the early retirement of electromechanical meters.

46. Liabilities measured at fair value

The following table reports for each class of liabilities measured at fair value on a recurring or non-recurring basis in the financial statements the fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro

	Notes	Non-current liabilities				Current liabilities			
		Fair value	Level 1	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Cash flow hedge derivatives:									
- on interest rates	44	**556**	-	556	-	**1**	-	1	-
- on exchange rates	44	**2,375**	-	2,375	-	**114**	-	114	-
- on commodities	44	**39**	12	27	-	**159**	21	138	-
Fair value hedge derivatives:									
- on interest rates	44	**-**	-	-	-	**-**	-	-	-
- on exchange rates	44	**7**	-	7	-	**6**	-	6	-
- on commodities	44	**-**	-	-	-	**-**	-	-	-
Trading derivatives:									
- on interest rates	44	**9**	-	9	-	**65**	-	65	-
- on exchange rates	44	**10**	-	10	-	**38**	-	38	-
- on commodities	44	**2**	1	1	-	**1,877**	774	1,098	5
Contingent consideration	36 and 40	**9**	-	9	-	**23**	-	23	-

Contingent consideration regards a number of equity investments held by the Group in North America, whose fair value was determined on the basis of the contractual terms and conditions.

The fair value of derivatives on commodities classified as level 3 regards the measurement of hedging derivatives on weather indices (weather derivatives). For these contracts, measurement uses certified historical data on the underlying variables. For example, an HDD ("Heating Degree Days") derivative on a given measurement station indicated in the derivative contract is measured at fair value by calculating the difference between the agreed strike and the historical average of the same variable observed at the same station.

46.1 Fair value of other liabilities

For each class of liabilities not measured at fair value in the balance sheet but whose fair value must be reported, the following table reports the fair value at the end of the period and the level in the fair value hierarchy into which the fair value measurements of those liabilities are classified.

Millions of euro

	Notes	**Fair value**	Level 1	Level 2	Level 3
Bonds:					
- fixed rate	41.3.1	38,818	35,739	3,079	-
- floating rate	41.3.1	4,252	667	3,585	-
Bank borrowings:					
- fixed rate	41.3.1	4,155	-	4,155	-
- floating rate	41.3.1	8,452	-	8,452	-
Non-bank borrowings:					
- fixed rate	41.3.1	2,149	-	2,149	-
- floating rate	41.3.1	231	-	231	-
Total		**58,057**	**36,406**	**21,651**	**-**

47. Related parties

As an operator in the field of generation, distribution, transport and sale of electricity and the sale of natural gas, Enel carries out transactions with a number of companies directly or indirectly controlled by the Italian State, the Group's controlling shareholder.

The table below summarizes the main types of transactions carried out with such counterparties.

Related party	Relationship	Nature of main transactions
Acquirente Unico - Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhanced-protection market
Cassa Depositi e Prestiti Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market (Terna) Sale of electricity transport services (Eni Group) Purchase of transport, dispatching and metering services (Terna) Purchase of postal services (Poste Italiane) Purchase of fuels for generation plants and natural gas storage and distribution services (Eni Group)
GSE - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
GME - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange (GME) Purchase of electricity on the Power Exchange for pumping and plant planning (GME)
Leonardo Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods

In addition, the Group conducts essentially commercial transactions with associated companies or companies in which it holds minority interests.
Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Fondazione Enel and Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.

All transactions with related parties were carried out on normal market terms and conditions, which in some cases are determined by the Regulatory Authority for Energy, Networks and the Environment.

The following tables summarize transactions with related parties, associated companies and joint arrangements outstanding at December 31, 2017 and December 31, 2016 and carried out during the period.

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Income statement						
Revenue from sales and services	1	1,767	2,668	443	89	-
Other revenue and income	-	-	2	-	3	-
Other financial income	-	-	-	-	-	-
Purchases of electricity, gas and fuel	3,345	2,458	1,636	-	4	-
Costs for services and other materials	-	75	2,340	5	115	-
Other operating expenses	4	524	3	-	-	-
Net income/(expense) from commodity risk management	-	-	32	-	-	-
Other financial expense	-	-	-	1	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Balance sheet						
Trade receivables	-	77	526	57	34	-
Other current financial assets	-	-	-	-	-	-
Other current assets	-	-	24	129	1	-
Derivative assets	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	6	-
Long-term borrowings	-	-	893	-	-	-
Trade payables	682	110	543	977	11	-
Other current liabilities	-	-	10	-	-	-
Current derivative liabilities	-	-	-	-	-	-
Current portion of long-term borrowings	-	-	89	-	-	-
Other information						
Guarantees issued	-	280	360	-	108	-
Guarantees received	-	-	208	-	23	-
Commitments	-	-	46	-	6	-

Total 2017	Associates and joint arrangements	Overall total 2017	Total in financial statements	% of total
4,968	156	**5,124**	**72,664**	**7.1%**
5	17	**22**	**1,975**	**1.1%**
-	18	**18**	**2,371**	**0.8%**
7,443	318	**7,761**	**36,039**	**21.5%**
2,535	129	**2,664**	**17,982**	**14.8%**
531	-	**531**	**2,886**	**18.4%**
32	(5)	**27**	**578**	**4.7%**
1	24	**25**	**3,908**	**0.6%**

Total at Dec. 31, 2017	Associates and joint arrangements	Overall total at Dec. 31, 2017	Total in financial statements	% of total
694	138	**832**	**14,529**	**5.7%**
-	3	**3**	**4,614**	**0.1%**
154	8	**162**	**2,695**	**6.0%**
-	11	**11**	**2,309**	**0.5%**
6	30	**36**	**2,003**	**1.8%**
893	-	**893**	**42,439**	**2.1%**
2,323	42	**2,365**	**12,671**	**18.7%**
10	27	**37**	**12,462**	**0.3%**
-	9	**9**	**2,260**	**0.4%**
89	-	**89**	**7,000**	**1.3%**
748	-	**748**		
231	-	**231**		
52	-	**52**		

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Income statement						
Revenue from sales and services	46	1,486	2,190	468	90	-
Other revenue and income	-	1	1	4	3	-
Other financial income	-	-	17	-	-	-
Purchases of electricity, gas and fuel	3,169	1,769	1,319	2	-	-
Costs for services and other materials	-	75	2,259	4	139	-
Other operating expenses	3	309	-	-	-	-
Net income/(expense) from commodity risk management	-	-	5	-	-	-
Other financial expense	-	-	12	1	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Balance sheet						
Trade receivables	8	301	477	27	57	-
Other current financial assets	-	-	-	9	-	-
Other current assets	-	-	15	92	1	-
Derivative assets	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	6	-
Long-term borrowings	-	-	1,072	-	-	-
Trade payables	638	372	490	1,239	18	-
Other current liabilities	-	-	3	-	21	-
Current derivative liabilities	-	-	-	-	-	-
Current portion of long-term borrowings	-	-	89	-	-	-
Other information						
Guarantees issued	-	280	262	-	80	-
Guarantees received	-	-	261	-	32	-
Commitments	-	-	72	-	9	-

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at www.enel.com/investors/bylaws-rules-and-policies/transactions-with-related-parties) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2017, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution 17221 of March 12, 2010, as amended with Resolution 17389 of June 23, 2010.

Total 2016	Associates and joint arrangements	Overall total 2016	Total in financial statements	% of total
4,280	270	**4,550**	**68,604**	**6.6%**
9	11	**20**	**1,988**	**1.0%**
17	4	**21**	**2,289**	**0.9%**
6,259	344	**6,603**	**32,039**	**20.6%**
2,477	100	**2,577**	**17,393**	**14.8%**
312	-	**312**	**2,783**	**11.2%**
5	24	**29**	**(133)**	**-21.8%**
13	26	**39**	**4,339**	**0.9%**

Total at Dec. 31, 2016	Associates and joint arrangements	Overall total at Dec. 31, 2016	Total in financial statements	% of total
870	88	**958**	**13,506**	**7.1%**
9	126	**135**	**3,053**	**4.4%**
108	1	**109**	**3,044**	**3.6%**
-	18	**18**	**3,945**	**0.5%**
6	17	**23**	**1,856**	**1.2%**
1,072	-	**1,072**	**41,336**	**2.6%**
2,757	164	**2,921**	**12,688**	**23.0%**
24	4	**28**	**12,141**	**0.2%**
-	11	**11**	**3,322**	**0.3%**
89	-	**89**	**4,384**	**2.0%**
622	-	**622**		
293	-	**293**		
81	-	**81**		

48. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Guarantees given:			
- sureties and other guarantees granted to third parties	8,171	8,123	48
Commitments to suppliers for:			
- electricity purchases	79,163	63,407	15,756
- fuel purchases	42,302	47,305	(5,003)
- various supplies	3,119	1,309	1,810
- tenders	3,334	1,846	1,488
- other	2,912	3,751	(839)
Total	**130,830**	**117,618**	**13,212**
TOTAL	**139,001**	**125,741**	**13,260**

For more details on the expiry of commitments and guarantees, please see the section "Commitments to purchase commodities" in note 42.

49. Contingent assets and liabilities

The following reports the main contingent assets and liabilities at December 31, 2017, which are not recognized in the financial statements as they do not meet the requirements provided for in IAS 37.

Porto Tolle thermal plant - Air pollution - Criminal proceedings against Enel directors and employees

The Court of Adria, in a ruling issued on March 31, 2006, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and public authorities. Damages for a number of mainly private parties (individuals and environmental associations), were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (Ministry for the Environment, a number of public entities of Veneto and Emilia Romagna, including the area's park agencies) was postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due.

An appeal was lodged against the ruling of the Court of Adria and on March 12, 2009, the Court of Appeal of Venice partially reversed the lower court decision. It found that the former directors had not committed a crime and that there was no environmental damage and therefore ordered recovery of the provisional award already paid. The prosecutors and the civil claimants lodged an appeal against the ruling with the Court of Cassation. In a ruling on January 11, 2011, the Court of Cassation granted the appeal, overturning the decision of the Venice Court of Appeal, and referred the case to the civil section of the Venice Court of Appeal to rule as regards payment of damages and the division of such damages among the accused. As regards amounts paid to a number of public entities in Veneto, Enel has already made payment under a settlement agreement reached in 2008. With a suit lodged in July 2011, the Ministry for the Environment, the public entities of Emilia Romagna and the private actors who had already participated as injured parties in the criminal case asked the Venice Court of Appeal to order Enel SpA and Enel Produzione to pay civil damages for harm caused by the emissions from the Porto Tolle power station. The amount of damages requested for economic and environmental losses was about €100 million, which Enel contested. During 2013, an agreement was reached – with no admission of liability by Enel/Enel Produzione – with the public entities of Emilia Romagna to express social solidarity in line with the general sustainability policies of the Group. The suits with the Ministry and private parties (environmental associations and a number of resident individuals, who have received no payments from Enel during the proceedings) remain open. On July 10, 2014, the decision of the Venice Court of Appeal was filed ordering the defendants, jointly with Enel/Enel Produzione, to pay damages in the amount of €312,500, plus more than €55,000 in legal expenses. The Ministry's request for calculation of the amount of damages it claimed it was owed was deemed inadmissible, as grounds for barring such action arose in the course of the criminal proceedings. In the meantime the Court issued a general conviction with damages to be awarded in a separate decision and ordered payment of legal costs. Enel ledged an appeal with the Court of Cassation in February 2015 of the ruling of the Venice Court of Appeal of July 10, 2014 and is currently waiting for the date of the hearing to be set.

In August 2011, the Public Prosecutor's Office of Rovigo asked that a number of directors, former directors, officers, former officers and employees of Enel and Enel Produzione be remanded for trial on the charge of willful omission to take precautionary actions to prevent a disaster in respect of the alleged emissions from the Porto Tolle plant. Subsequently, the public prosecutor filed charges of willfully causing a disaster. During 2012, the pre-trial hearing judge of Rovigo, granting the request of the Public Prosecutor's Office of Rovigo, ordered the committal for trial of all of the accused for both offences. The Ministry for the Environment, the Ministry of Health and other actors, mainly local authorities in Emilia Romagna and Veneto, as well as the park agencies of the area, joined the case as injured parties, seeking unspecified damages from the above individuals, without citing Enel or Enel Produzione as liable parties. During 2013, as part of the agreement mentioned earlier, most of the public entities withdrew

their suits.
At the hearing of March 31, 2014, the Court issued its ruling of first instance, acquitting all of the accused of the charge of willful omission to take precautionary safety measures, also acquitting the accused of the charge of willfully causing a disaster, with the exception of the two former Chief Executive Officers of Enel SpA. The former Chief Executive Officers were then ordered to pay unspecified damages in a separate civil action, with a total provisional ruling of €410,000 and payment of court costs for the remaining civil parties to the action.
Following the appeal, the appellate level of the proceeding before the Court of Appeals of Venice was completed on January 18, 2017 with the acquittal of all defendants on the grounds that "no crime was committed". The prosecution appealed the acquittal of the three former Chief Executive Officers before the Court of Cassation, with the appeal being rejected by the court as inadmissible on January 10, 2018.

Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

A criminal proceeding was held before the Court of Brindisi concerning the Brindisi Sud thermal plant. A number of employees of Enel Produzione – cited in 2012 as a liable party in civil litigation – have been accused of causing criminal damage and dumping of hazardous substances with regard to the alleged contamination of land adjacent to the plant with coal dust as a result of actions between 1999 and 2011. At the end of 2013, the accusations were extended to cover 2012 and 2013. As part of the proceeding, injured parties, including the Province and City of Brindisi, have submitted claims for total damages of about €1.4 billion. In its decision of October 26, 2016, the Court of Brindisi: (i) acquitted nine of the thirteen defendants (employees/managers of Enel Produzione) for not having committed the offense; (ii) ruled that it did not have to proceed as the offense was time-barred for two of the defendants; (and iii) convicted the remaining two defendants, sentencing them with all the allowances provided for by law to nine months' imprisonment. With regard to payment of damages, the Court's ruling also: (i) denied all claims of public parties and associations acting in the criminal proceeding to recover damages; and (ii) granted most of the claims filed by the private parties acting to recover damages, referring the latter to the civil courts for quantification without granting a provisional award. The convicted employees and Enel Produzione SpA as the civil part appealed the ruling. The employee for whom the offense was time-barred also appealed.
Criminal proceedings were held before the Courts of Reggio Calabria and Vibo Valentia against a number of employees of Enel Produzione for the offense of illegal waste disposal in connection with alleged violations concerning the disposal of waste from the Brindisi plant. Enel Produzione has not been cited as a liable party for civil damages. The criminal proceedings before the Court of Reggio Calabria ended with the hearing of June 23, 2016. The court acquitted nearly all of the Enel defendants of the main charges because no crime was committed. Just one case was dismissed under the statute of limitations. Similarly, all of the remaining charges involving minor offenses were dismissed under the statute of limitations. The proceedings before the Court of Vibo Valentia were adjourned to April 19, 2018, in order to hear the testimony of the final witnesses called by the other defendants.

Brindisi Sud thermal generation plant - Seizure of plant

For more details on the case, please see the presentation in "Significant events in 2017" in the Report on operations and in note 50 "Events after the reporting period".

Out-of-court disputes and litigation connected with the blackout of September 28, 2003

In the wake of the blackout that occurred on September 28, 2003, numerous claims were filed against Enel Distribuzione (now e-distribuzione) for automatic and other indemnities for losses. These claims gave rise to substantial litigation before justices of the peace, mainly in the regions

of Calabria, Campania and Basilicata, with a total of some 120,000 proceedings. Charges in respect of such indemnities could be recovered in part under existing insurance policies. Most of the initial rulings by these judges found in favor of the plaintiffs, while appellate courts have nearly all found in favor of Enel Distribuzione. The Court of Cassation has also consistently ruled in favor of Enel Distribuzione. At December 31, 2017 pending cases numbered about 8,100. In addition, in view of the rulings in Enel's favor by both the courts of appeal and the Court of Cassation, the flow of new claims has come to a halt. Beginning in 2012, a number of actions for recovery were initiated, which continue, to obtain repayment of amounts paid by Enel in execution of the rulings in the courts of first instance.
In May 2008, Enel served its insurance company (Cattolica) a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings. The case also involved a number of reinsurance companies in the proceedings, which have challenged Enel's claim. In a ruling of October 21, 2013, the Court of Rome granted Enel's petition, finding the insurance coverage to be valid and ordering Cattolica, and consequently the reinsurance companies, to hold Enel harmless in respect of amounts paid or to be paid to users and their legal counsel as well as, within the limits established by the policies, to pay defense costs.
Subsequently, Cattolica appealed the ruling of the court of first instance of October 21, 2013, before the Rome Court of Appeal, asking that it be overturned. At the hearing of February 23, 2018, the judge issued the deadline for the exchange of closing arguments and took the case for judgement.
On the basis of the ruling of October 21, 2013, in October 2014, Enel filed suit against Cattolica with the Court of Rome to obtain a quantification and payment of the amounts due to Enel from Cattolica. At the hearing of October 3, 2016, the court denied the counterparties' petition for a suspension of the proceeding pending completion of the appeals process, adjourning the case for the examination of motions to July 4, 2017. In a ruling of July 12, 2017 the court decided on the basis of the preliminary briefs to adjourn the suit until November 25, 2019 for a decision.

Enel Energia and Servizio Elettrico Nazionale antitrust proceeding

With measure 26581 notified on May 11, 2017, the Competition Authority began proceedings for alleged abuse of a dominant position against Enel SpA (Enel), Enel Energia SpA (EE) and Servizio Elettrico Nazionale SpA (SEN), conducting inspections on the same date to acquire documentation at certain offices of these companies, Enel Italia Srl and the Punto Enel in Catania.
The proceeding was initiated on the basis of reports made by the Italian Association of Energy Wholesalers and Traders (AIGET), the company Green Network SpA (GN), and reports from individual consumers received by the Competition Authority, especially since the second half of 2016.
According to the allegations formulated by the Competition Authority in the measure, the Enel Group, as an integrated actor in the distribution and sale of power on the regulated market, has engaged (in a market in the middle of a crucial transition phase towards the complete opening to competition of retail markets of low-voltage domestic and non-domestic customers) in an exclusionary strategy using a series of non-replicable commercial stratagems capable of hindering their non-integrated competitors to the benefit of the Group's company operating on the free market, i.e. Enel Energia.
Enel and the other Group companies involved in the proceeding, while not admitting the disputed conduct, submitted commitments to address the anti-competitive concerns expressed by Competition Authority in the measure initiating the proceeding.
With measures adopted on November 8, 2017, the Competition Authority rejected the commitments submitted, arguing that there is an interest in ascertaining the merits of the disputed conduct. Consequently, the proceeding will continue with the ordinary preliminary enquiry, in which the companies involved may file briefs and present their position in relation to the objections formulated by the Authority.
The time limit for closing the proceeding is June 30, 2018.

BEG litigation

Following an arbitration proceeding initiated by BEG SpA in Italy, Enelpower obtained a ruling in its favor in 2002, which was upheld by the Court of Cassation in 2010, which entirely rejected the complaint with regard to alleged breach by Enelpower of an agreement concerning the construction of a hydroelectric power station in Albania. Subsequently, BEG, acting through its subsidiary Albania BEG Ambient, filed suit against Enelpower and Enel SpA in Albania concerning the matter, obtaining a ruling from the District Court of Tirana, upheld by the Albanian Court of Cassation, ordering Enelpower and Enel to pay tortious damages of about €25 million for 2004 as well as an unspecified amount of tortious damages for subsequent years. Following the ruling, Albania BEG Ambient demanded payment of more than €430 million from Enel.

The European Court of Human Rights, with which Enelpower SpA and Enel SpA had filed an appeal for violation of the right to a fair trial and the rule of law by the Republic of Albania, rejected the petition as inadmissible. The ruling was purely procedural and did not address the substance of the suit.

With a ruling of June 16, 2015, the first level was completed in the additional suit lodged by Enelpower SpA and Enel SpA with the Court of Rome asking the Court to ascertain the liability of BEG SpA for having evaded compliance with the arbitration ruling issued in Italy in favor of Enelpower SpA through the legal action taken by Albania BEG Ambient Shpk. With this action, Enelpower SpA and Enel SpA asked the Court to find BEG liable and order it to pay damages in the amount that the other could be required to pay to Albania BEG Ambient Shpk in the event of the enforcement of the sentence issued by the Albanian courts. With the ruling, the Court of Rome found that BEG SpA did not have standing to be sued, or alternatively, that the request was not admissible for lack of an interest for Enel SpA and Enelpower SpA to sue, as the Albanian ruling had not yet been declared enforceable in any court. The Court ordered the setting off of court costs. Enel SpA and Enelpower SpA appealed the ruling before the Rome Court of Appeal, asking that it be overturned in full. The next hearing is scheduled for November 14, 2018.

On November 5, 2016, Enel SpA and Enelpower SpA filed a petition with the Albanian Court of Cassation, asking for the ruling issued by the District Court of Tirana on March 24, 2009 to be voided. The proceeding is still pending.

Proceedings undertaken by Albania BEG Ambient Shpk to obtain enforcement of the ruling of the District Court of Tirana of March 24, 2009

France

In February 2012, Albania BEG Ambient filed suit against Enel SpA and Enelpower SpA with the Tribunal de Grande Instance in Paris in order to render the ruling of the Albanian court enforceable in France. Enel SpA and Enelpower SpA challenged the suit.
Following the beginning of the case before the Tribunal de Grande Instance, again at the initiative of BEG Ambient, between 2012 and 2013 Enel France was served with two "*Saise Conservatoire de Créances*" (orders for the precautionary attachment of receivables) to conserve any receivables of Enel SpA in respect of Enel France.
On January 29, 2018, the Tribunal de Grande Instance issued a ruling in favor of Enel and Enelpower, denying Albania BEG Ambient Shpk the recognition and enforcement of the Tirana court's ruling in France for lack of the requirements under French law for the purposes of granting exequatur. Among other issues, the Tribunal de Grande Instance ruled that: (i) the Albanian ruling conflicted with an existing decision, in this case the arbitration ruling of 2002 and that (ii) the fact that BEG sought to obtain in Albania what it was not able to obtain in the Italian arbitration proceeding, resubmitting the same claim through Albania BEG Ambient Shpk, represented fraud.
Albania BEG Ambient Shpk appealed the ruling and the proceeding is at its preliminary stages.

State of New York

In March 2014, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA in New York to render the ruling of the Albanian court enforceable in the State of New York.
On April 22, 2014, in response to a motion filed by Enel and Enelpower, the court revoked the previous ruling is-

sued with no hearing of the parties against the companies freezing assets of around $600 million (about €487 million). On April 27, 2015, Enel SpA and Enelpower SpA asked for the case to be transferred from the New York state courts to the federal courts. In a ruling of March 10, 2016, the federal court referred the case to the New York state court. Enel SpA and Enelpower SpA appealed the decision denying the pleading that the New York state courts had no jurisdiction. In a unanimous decision of February 8, 2018, the Appellate Court of the State of New York upheld the appeal of Enel SpA and Enelpower SpA, rejecting the argument that the Court of New York had jurisdiction over the request for enforcement submitted by Albania BEG Ambient Shpk.

The Netherlands

On June 2, 2014 Albania BEG Ambient Shpk obtained an order from the court in the Hague, based upon the preliminary injunction, freezing up to €440 million held with a number of entities and the establishment of a lien on the shares of two subsidiaries of Enel SpA in that country. Enel SpA and Enelpower SpA challenged that ruling and on July 1, 2014, the Dutch court, in granting the petition of Enel and Enelpower, provisionally determined the value of the suit at €25 million and ordered the removal of the preliminary injunction subject to the issue of a bank guarantee in the amount of €25 million by Enel and Enelpower. Enel and Enelpower have appealed this ruling.

On July 3, 2014, Albania BEG Ambient Shpk petitioned for a second precautionary freeze of assets with no hearing of the parties. Following the hearing of August 28, 2014, the Hague Court granted a precautionary freeze of €425 million on September 18, 2014. Enel and Enelpower appealed that measure.

In a ruling of February 9, 2016, the Hague Court of Appeal upheld the appeals, ordering the revocation of the preliminary injunctions subject to the pledging of a guarantee by Enel of €440 million and a counter-guarantee by Albania BEG Ambient Shpk of about €50 million (the estimated value of the losses of Enel and Enelpower from the seizure of assets and the pledge of bank guarantees). Enel's guarantee was issued on March 30, 2016. Albania BEG Ambient Shpk did not issue its counter-guarantee.

On April 4, 2016, Albania BEG Ambient Shpk appealed the ruling of February 9, 2016 before the Court of Cassation in the Netherlands, which in a ruling of June 23, 2017, denied the appeal of Albania BEG Ambient Shpk, definitively deciding the revocation of the preliminary injunctions.

At the end of July 2014, Albania BEG Ambient Shpk filed suit with the Court of Amsterdam to render the ruling of the Albanian court enforceable in the Netherlands. On June 29, 2016, the court filed its judgment, which: (i) ruled that the Albanian ruling meet the requirements for recognition and enforcement in the Netherlands; (ii) ordered Enel and Enelpower to pay €433,091,870.00 to Albania BEG Ambient Shpk, in addition to costs and ancillary charges of €60,673.78; and (iii) denied Albania BEG Ambient Shpk's request to declare the ruling provisionally enforceable. On July 14, 2016, Albania BEG Ambient Shpk filed an appeal for a precautionary seizure on the basis of the Court of Amsterdam's decision of June 29, 2016 in the amount of €440 million with a number of entities and the seizure of the shares of three companies controlled by Enel SpA in the Netherlands. Enel appealed and in a ruling of August 26, 2016, the Court of Amsterdam decided that the precautionary measures issued in 2014 and 2016 would be revoked if Albania BEG Ambient Shpk did not provide a bank guarantee of €7 million to Enel and Enelpower by October 21, 2016. Albania BEG Ambient Shpk did not provide the guarantee and, accordingly, the seizures of the assets of Enel and Enelpower in the Netherlands were revoked and no longer effective as from October 21, 2016. Albania BEG Ambient Shpk appealed the decision of August 26, 2016 but the proceeding was suspended under an agreement between the parties pending the ruling of the Dutch Court of Cassation in the proceeding over the precautionary measures (which was then issued on June 23, 2017). The appeal against the decision of August 26, 2016 therefore remains suspended in the absence of a specific request by one of the parties. The suspension has had no impact on the fact that the seizures of assets in the Netherlands have not been in effect since October 2016.

On June 29, 2016, Enel and Enelpower filed appeals against the ruling of the Court of Amsterdam issued on the same date. The appeal has full de novo effect. The Court of Appeal will re-examine the entire subject of the dispute. Accordingly, Enel and Enelpower will be able to present their defense in its entirety. On September 27, 2016, Albania BEG Ambient also appealed the court's ruling of June 29, 2016, to request the reversal of its partial loss on the merits. On April 11, 2017, the Amsterdam Court of Appeal granted the request of Enel and Enelpower to join to two pending appeals.

On January 29, 2018, oral arguments in the appellate proceeding were held, following which the Court allowed

Enel and Enelpower to place in evidence the decision with which the Tribunal de Grande Instance of Paris denied exequatur of the Albanian ruling in France. The decision of the Amsterdam Court of Appeal will be issued on July 17, 2018.

Ireland

Albania BEG Ambient Shpk also filed suit in Ireland to render the ruling of the Court of Tirana enforceable in this country. The High Court issued a ruling on March 8, 2016 upholding the defense of Enel and Enelpower, finding that the country had no jurisdiction. On March 31, 2017, Albania BEG Ambient Shpk filed an expedited appeal against the ruling of March 8, 2016 finding that Ireland had no jurisdiction. Enel and Enelpower responded to the appeal filing on April 7, 2017.

In a ruling of February 26, 2018, the Irish court denied the appeal of Albania BEG Ambient Shpk.

Luxembourg

In Luxembourg, again at the initiative of Albania BEG Ambient Shpk, JP Morgan Bank Luxembourg SA was also served with an order for the precautionary attachment of any receivables of Enel SpA. In parallel Albania BEG Ambient Shpk filed a claim to obtain enforcement of the ruling of the Court of Tirana in that country. The proceeding is still under way and briefs are being exchanged between the parties. No ruling has been issued.

Violations of Legislative Decree 231/2001

On July 14, 2017, Enel Green Power SpA received notice of charges brought before the Court of Ancona for alleged violation of Legislative Decree 231/2001 concerning the administrative liability of legal persons. The proceeding was begun for the alleged commission by an agent of the company, in the company's interest, of the offence of destruction of a natural habitat in a protected area. The case has been joined with a separate proceeding involving the same agent and two other defendants for the same alleged offences. The court has set the dates for hearings of the witnesses.

CIEN litigation - Brazil

In 1998 the Brazilian company CIEN (now Enel CIEN) signed an agreement with Tractebel for the delivery of electricity from Argentina through its Argentina-Brazil interconnection line. As a result of Argentine regulatory changes introduced as a consequence of the economic crisis in 2002, CIEN was unable to make the electricity available to Tractebel. In October 2009, Tractebel sued CIEN, which submitted its defense. CIEN cited force majeure as a result of the Argentine crisis as the main argument in its defense. Out of court, Tractebel has indicated that it plans to acquire 30% of the interconnection line involved in the dispute. In March 2014, the court granted CIEN's motion to suspend the proceedings in view of the existence of other litigation pending between the parties. The amount involved in the dispute is estimated at about R$118 million (about €27 million), plus unspecified damages. For analogous reasons, in May 2010 Furnas also filed suit against CIEN for failure to deliver electricity, requesting payment of about R$520 million (about €121 million), in addition to unspecified damages. In alleging non-performance by CIEN, Furnas is also seeking to acquire ownership (in this case 70%) of the interconnection line. CIEN's defense is similar to the earlier case. The claims put forth by Furnas were rejected by the trial court in August 2014. Furnas lodged an appeal against the latter decision, while CIEN also lodged an appeal and the proceeding is under way.

Cibran litigation - Brazil

Companhia Brasileira de Antibióticos ("Cibran") has filed six suits against Enel Distribución Rio (formerly Ampla) to obtain damages for alleged losses incurred as a result of the interruption of electricity service by the Brazilian distribution company between 1987 and 2002, in addition to non-pecuniary damages. The Court ordered a unified technical appraisal for those cases, the findings of which were partly unfavorable to Enel Distribución Rio. The latter challenged the findings, asking for a new study, which led to the denial of part of Cibran's petitions. Cibran subsequently appealed the decision and the ruling was in favor of Enel Distribución Rio.

The first suit, filed in 1999 and regarding the years from 1994 to 1999, was adjudicated in September 2014 when the court of first instance issued a ruling against Enel Distribución Rio, levying a penalty of about R$200,000 (about

€46,000) as well as other damages to be quantified at a later stage. Enel Distribución Rio appealed the ruling and the appeal was upheld by the Tribunal de Justiça. In response, on December 16, 2016, Cibran filed an appeal (recurso especial) before the Superior Tribunal de Justiça, and the proceeding is under way.

With regard to the second case, filed in 2006 and regarding the years from 1987 to 2002, on June 1, 2015, the courts issued a ruling ordering Enel Distribución Rio to pay R$80,000 (about €18,000) in non-pecuniary damages as well as R$96,465,103 (about €22 million) in pecuniary damages, plus interest. On July 8, 2015 Enel Distribución Rio appealed the decision with the Tribunal de Justiça of Rio de Janeiro and the parties are awaiting a ruling.

Decisions are still pending with regard to the remaining four suits. The value of all the disputes is estimated at about R$445 million (about €124 million).

Coperva litigation - Brazil

As part of the project to expand the grid in rural areas of Brazil, in 1982 Enel Distribución Ceará SA (formerly Coelce), then owned by the Brazilian government and now an Enel Group company, had entered into contracts for the use of the grids of a number of cooperatives established specifically to pursue the expansion project. The contracts provided for the payment of a monthly fee by Enel Distribución Ceará SA, which was also required to maintain the networks.

Those contracts, between cooperatives established in special circumstances and the then public-sector company, do not specifically identify the grids governed by the agreements, which has prompted a number of the cooperatives to sue Enel Distribución Ceará SA asking for, among other things, a revision of the fees agreed in the contracts. These actions include the suit filed by Cooperativa de Eletrificação Rural do V do Acarau Ltda ("Coperva") with a value of about R$203 million (about €56 million). Enel Distribución Ceará SA was granted rulings in its favor from the trial court and the court of appeal, but Coperva filed a further appeal (*Embargo de Aclaración*), which was denied in a ruling of January 11, 2016. Coperva lodged an extraordinary appeal before the Superior Tribunal de Justiça on February 3, 2016. The proceedings are currently under way.

Enel Distribuição Goiás AGM - Brazil

In 1993, Enel Distribuição Goiás, the Association of Municipalities of Goiás (AGM), the State of Goiás and the Bank of Goiás reached an agreement (*convenio*) for the payment of municipal debts to Enel Distribuição Goiás through the transfer of the portion of ICMS - *Imposto sobre Circulação de Mercadorias e Serviços* (VAT) that the State would have transferred to those governments. In 2001 the parties to the agreement were sued by the individual municipal governments to obtain a ruling that the agreement was invalid, a position then upheld by the Supreme Federal Court on the grounds of the non-participation of the local governments themselves in the agreement process. In September 2004, Enel Distribuição Goiás reached a settlement with 23 municipalities. Between 2007 and 2008, Enel Distribuição Goiás was again sued on numerous occasions (there are currently 113 pending suits) seeking the restitution of amounts paid under the agreement. Despite the ruling that the agreement was void, Enel Distribuição Goiás argues that the payment of the debts on the part of the local governments is legitimate, as electricity was supplied in accordance with the supply contracts and, accordingly, the claims for restitution of amounts paid should be denied. The total value of the suits is equal to about R$1 billion (about €277 million).

It is important to note that, as part of the privatization of Enel Distribuição Goiás, a tax relief mechanism was introduced that allows Enel Distribuição Goiás to offset its ICMS (VAT) liability with a tax credit in respect of investments by Enel Distribuição Goiás in the development and maintenance of its grid. The value of the tax credits is limited to the liabilities of Enel Distribuição Goiás accrued until January 27, 2015, including those referred to in the litigation.

El Quimbo - Colombia

A number of legal actions (*"acciones de grupo"* and *"acciones populares"*) brought by residents and fishermen in the affected area are pending with regard to the El Quimbo project for the construction of a 400 MW hydroelectric plant in the region of Huila (Colombia). More specifically, the first *acción de grupo*, currently in the preliminary stage, was brought by around 1,140 residents of the municipality of Garzón, who claim that the construction of the plant would reduce their business revenue by 30%. A second action was brought, between August 2011 and December 2012, by residents and businesses/associations of five municipalities of Huila claiming damages related to the closing of a bridge (Paso El Colegio). With regard to *acciones populares*, or class action lawsuits, in 2008 a suit was filed by a number of residents of the area demanding, among other things, that the environmental permit be suspended. Another *acción popular* was brought by a number of fish farming companies over the alleged impact that filling the El Quimbo basin would have on fishing in the Betania basin downstream from Quimbo. In February 2015, the Court ordered the precautionary suspension of filling operations until a number of specific requirements have been met.

The precautionary suspension was subsequently modified to permit filling to proceed, which began on June 30, 2015. However, on July 17, 2015 Emgesa received a notice modifying the precautionary measure to prohibit generation activities until ANLA (the national environmental authority) certifies that the company removed the biomass and forest waste from the El Quimbo reservoir basin.

Pending the ruling, as an energy emergency has been declared, the Ministry of Energy issued a decree authorizing Emgesa to begin generation. On December 16, 2015, the Constitutional Court ruled that the Presidential Decree was unconstitutional and as from that date Emgesa suspended electricity generation.

On December 24, 2015, the Ministerio de Minas y Energía and the AUNAP (the authority for agriculture and fishing) filed a joint motion asking the criminal court to authorize generation as a precautionary measure. On January 8, 2016, the court granted the precautionary measure requested by the Ministry and the AUNAP, authorizing the temporary and immediate resumption of generation at El Quimbo. The precautionary measure granted by the court would remain in force until the Huila court issued a ruling on the substance of the case, i.e. the revocation or upholding of the precautionary measure previously issued by the local administrative court. With a decision of February 22, 2016, the Huila court issued a ruling allowing generation to continue for six months. The court ordered Emgesa to prepare a technical design that would ensure compliance with oxygen level requirements and to provide collateral of about 20,000,000,000 Colombian pesos (about €5.5 million). In a ruling of the Administrative Court of Huila of April 11, 2016 the temporary revocation of the precautionary injunction was upheld for a period of six months until October 16, 2016, which was subsequently extended for a further six months as from February 2017. Following the deadline for the suspension of the precautionary injunction in August 2017, in the absence of contrary court rulings the El Quimbo plant is continuing to generate electricity as the oxygenation system installed by Emgesa has so far demonstrated that it can maintain the oxygen levels required by the court. The proceeding is currently stalled as the court evaluates a proposed settlement between the parties, submitted on November 27, 2017, which has also been notified to the competent authorities. On January 24, 2018, the Court of Huila rejected the settlement agreement, a ruling that has been appealed by the parties.

Nivel de Tensión Uno proceedings - Colombia

This dispute involves an "*acción de grupo*" brought by Centro Médico de la Sabana hospital and other parties against Codensa seeking restitution of allegedly excess rates. The action is based upon the alleged failure of Codensa to apply a subsidized rate that they claim the users should have paid as *Tensión Uno* category users (voltage of less than 1 kV) and owners of infrastructure, as established in Resolution 82/2002, as amended by Resolution 97/2008. The suit is at a preliminary stage. The estimated value of the proceeding is about 337 billion Colombian pesos (about €96 million).

Emgesa and Codensa arbitration proceedings - Colombia

On December 4, 2017, Enel Américas SA was notified by the Grupo Energía di Bogotá ("GEB") (which holds about 51.5% of Emgesa and Codensa) of the start of arbitration proceedings before the Arbitration Board of Bogotá to resolve the dispute between the parties concerning the distribution of net profit for 2016 for Emgesa and Codensa. GEB alleges that the "Framework Investment Agreement" (a shareholders' agreement) had been breached for the failure to distribute 100% of the profits.

GEB has filed a claim of about 63,619,000,000 Colombian pesos (about €18 million) for Codensa and 82,820,000,000 Colombian pesos (about €23 million) for Emgesa.

SAPE (formerly Electrica) arbitration proceedings - Romania

On April 20, 2016, SAPE submitted a request for arbitration before the International Chamber of Commerce in Paris in respect of Enel SpA and Enel Investment Holding BV concerning an alleged contractual breach for failure to distribute dividends from e-distribuţie Muntenia and Enel Energie Muntenia. In September 2016, SAPE modified its arbitration claims, suing Enel Energie Muntenia and e-distribuţie Muntenia as well and revising its monetary claim to about €56 million. On May 22, 2017, SAPE again modified its claim, quantifying it in the amount of about €110 million plus interest. The parties are exchanging briefs.

Gabčíkovo dispute - Slovakia

Slovenské elektrárne ("SE") is involved in a number of cases before the national courts concerning the 720 MW Gabčíkovo hydroelectric plant, which is administered by Vodohospodárska Výsatavba Štátny Podnik ("VV") and whose operation and maintenance, as part of the privatization of SE in 2006, had been entrusted to SE for a period of 30 years under a management agreement (the VEG Operating Agreement).

Immediately after the closing of the privatization, the Public Procurement Office (PPO) filed suit with the Court of Bratislava seeking to void the VEG Operating Agreement on the basis of alleged violations of the regulations governing public tenders, qualifying the contract as a service contract and as such governed by those regulations. In November 2011 the trial court ruled in favor of SE, whereupon the PPO immediately appealed the decision.

In parallel with the PPO action, VV also filed a number of suits, asking in particular for the voidance of the VEG Operating Agreement.

On December 12, 2014, VV withdrew unilaterally from the VEG Operating Agreement, notifying its termination on March 9, 2015, for breach of contract. On March 9, 2015, the decision of the appeals court overturned the ruling of the trial court and voided the contract as part of the action pursued by the PPO. SE lodged an extraordinary appeal against that decision before the Supreme Court. At a hearing of June 29, 2016, the Supreme Court denied the appeal. SE then appealed the ruling to the Constitutional Court, which denied the appeal on January 18, 2017.

In addition, SE lodged a request for arbitration with the Vienna International Arbitral Centre (VIAC) under the VEG Indemnity Agreement. Under that accord, which had been signed as part of the privatization between the National Property Fund (now MH Manazment) of the Slovak Republic and SE, the latter is entitled to an indemnity in the event of the early termination of the VEG Operating Agreement for reasons not attributable to SE. The arbitration court rejected the objection that it did not have jurisdiction and the arbitration proceeding continued to examine the merits of the case, with a ruling on the amount involved being deferred to any subsequent proceeding. On June 30, 2017, the arbitration court issued its ruling denying the request of SE.

In parallel with the arbitration proceeding launched by SE, both VV and the National Property Fund (now MH Manazment) filed suits, currently pending, in the Slovakian courts to void the VEG Indemnity Agreement owing to the alleged connection of the latter with the VEG Operating Agreement. With regard to the proceeding brought by VV against SE, on September 27, 2017, a hearing was held before the Court of Bratislava in which the judge denied the request of the plaintiff for procedural reasons. In addition, at the local level, SE was sued by VV for alleged unjustified enrichment (estimated at about €360 million plus interest) for the period from 2006 to 2015. The exchange-of-briefs phase of the proceeding was held and on February 2, 2018 SE filed counter-claims for the proceedings concerning 2010, 2013 and 2014. Finally, in another proceeding before the Court of Bratislava, VV asked for SE to return the fee for the transfer from SE to VV of the technology assets of the Gabčíkovo plant as part of the privatization, with a value of about €43 million plus interest. The hearing was held on December 4, 2017 and the judge set a deadline for the exchange of further briefs between the parties.

Precautionary administrative proceeding and Chucas arbitration

PH Chucas SA ("Chucas") is a special purpose entity established by Enel Green Power Costa Rica SA after it won a tender organized in 2007 by the Instituto Costarricense de Electricidad ("ICE") for the construction of a 50 MW hydroelectric plant and the sale of the power generated by the plant to ICE under a build, operate and transfer contract ("BOT"). The agreement provides for Chucas to build and operate the plant for 20 years, before transferring it to ICE. Under the BOT contract, the plant should have entered service on September 26, 2014. For a number of reasons, including flooding, landslides and similar events, the project experienced cost overruns and delays, with a consequent delay in meeting the obligation to deliver electricity. In view of these developments, in 2012 and 2013 Chucas submitted an administrative petition to ICE to recover the higher costs incurred and obtain a postponement of the entry into service of the plant. ICE denied the petition in 2015 and in fact levied two fines of about $9 million (about €7 million) for the delays in entering service. Following the precautionary appeal of Chucas, payment of the fines was suspended. The plant entered service in December 2016.

In addition, as ICE had rejected the administrative petition, on May 27, 2015, under the provisions of the BOT contract, Chucas initiated an arbitration proceeding before the Cámara Costarricense-Norteamericana de Comercio (AMCHAM CICA) seeking reimbursement of the additional costs incurred to build the plant and as a result of the delays in completing the project as well as voidance of the fine levied by ICE. In a decision issued in December 2017, the arbitration board ruled in Chucas' favor, granting recognition of the additional costs in the amount of about $113 million (about €91 million) and legal costs and ruling that the fines should not be paid. ICE appealed the arbitration ruling in the local courts and the proceeding is in a preliminary stage.

In addition, on October 3, 2015, in consideration of the violation of a number of contractual obligations (including failure to meet the deadline to complete the works) on the part of FCC Construcción América SA and FCC Construcción SA (FCC) – which had been engaged to build some of the works for the hydroelectric plant – Chucas notified the parties that it was terminating the contract for breach, enforcing the guarantees issued to it. However, the guarantees have not yet been paid pending resolution of a precautionary proceeding initiated by FCC on October 27, 2015, at the International Court of Arbitration in Paris. In a filing of March 10, 2017, FCC requested a ruling that the contract had been terminated without cause and asked for damages of about $27 million (about €22 million). In a brief filed in May 2017, Chucas, in addition to asking for the plaintiff's claims to be denied, filed a counter-claim to obtain confirmation of termination of contract for non-performance, asking for damages of at least $38 million (about €30 million). The hearing was held in February 2018 and the exchange of final pleadings is under way.

Tax litigation in Brazil

Withholding tax - Enel Distribución Rio SA

In 1998, Enel Distribución Rio SA financed the acquisition of Enel Distribución Ceará SA with the issue of bonds in the amount of $350 million ("Fixed Rate Notes" - FRN) subscribed by its Panamanian subsidiary, which had been established to raise funds abroad. Under the special rules then in force, subject to maintaining the bond until 2008, the interest paid by Enel Distribución Rio SA to its subsidiary was not subject to withholding tax in Brazil.

However, the financial crisis of 1998 forced the Panamanian company to refinance itself with its Brazilian parent, which for that purpose obtained loans from local banks. The tax authorities considered this financing to be the equivalent of the early extinguishment of the bond, with the consequent loss of entitlement to the exemption from withholding tax.

In December 2005, Enel Distribución Rio SA carried out a spin-off that involved the transfer of the residual FRN debt and the associated rights and obligations.

On November 6, 2012, the Câmara Superior de Recursos Fiscais (the highest level of administrative courts) issued a ruling against Enel Distribución Rio SA, for which the company promptly asked that body for clarifications. On October 15, 2013, Enel Distribución Rio SA was notified of the denial of the request for clarification ("*Embargo de Declaración*"), thereby upholding the previous adverse decision. The company provided security for the debt and on June 27, 2014 continued litigation before the ordinary courts ("Tribunal de Justiça").

In December 2017, the court appointed an expert to examine the issue in greater detail in support of the future ruling.

The amount involved in the dispute at December 31, 2017 was about €312 million.

ICMS - Enel Distribución Rio SA and Enel Distribución Ceará SA

The States of Rio de Janeiro and Ceará issued a number of tax assessments against Enel Distribución Rio SA (for the years 1996-1999 and 2007-2014) and Enel Distribución Ceará (for the years 2003, 2004 and 2006-2011), challenging the deduction of ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*) in relation to the purchase of certain non-current assets. The companies challenged the assessments, arguing that they correctly deducted the tax and asserting that the assets, the purchase of which generated the ICMS, are intended for use in their electricity distribution activities. The companies are continuing to defend their actions at the various levels of adjudication.

The amount involved in the disputes totaled approximately €69 million at December 31, 2017.

Withholding tax - Endesa Brasil

On November 4, 2014, the Brazilian tax authorities issued an assessment against Endesa Brasil SA (now Enel Brasil SA) alleging the failure to apply withholding tax to payments of allegedly higher dividends to non-resident recipients.

More specifically, in 2009, Endesa Brasil, as a result of the first-time application of the IFRS-IAS, had cancelled goodwill, recognizing the effects in equity, on the basis of the correct application of the accounting standards it had adopted. The Brazilian tax authorities, however, asserted – during an audit – that the accounting treatment was incorrect and that the effects of the cancellation should have been recognized through profit or loss. As a result, the corresponding value (about €202 million) was reclassified as a payment of income to non-residents and, therefore, subject to withholding tax of 15%.

It should be noted that the accounting treatment adopted by the company was agreed with the external auditor and also confirmed by a specific legal opinion issued by a local firm specializing in corporate law.

On December 2, 2014, the company appealed the initial ruling, arguing that its accounting treatment was correct.

In July 2016, the dispute was ruled at first instance in favor of the tax authorities. Endesa Brasil will therefore appeal the decision to the second level of administrative jurisdiction.

The overall amount involved in the dispute at December 31, 2017 was about €69 million.

Tax litigation in Spain

Income taxes - Enel Green Power España SL

On June 7, 2017, the Spanish tax authorities issued a notice of assessment to Enel Green Power España SL, contesting the treatment of the merger of Enel Unión Fenosa Renovables SA ("EUFER") into Enel Green Power España SL in 2011 as a tax neutral transaction, asserting that the transaction had no valid economic reason.

On July 6, 2017, the company appealed the assessment at the first administrative level (Tribunal Económico-Administrativo Central - TEAC), defending the appropriateness of the tax treatment applied to the merger. During the proceeding, the company will provide all the supporting documentation demonstrating the synergies achieved as a result of the merger in order to prove the existence of a valid economic reason for the transaction.

The total value involved in the proceeding as at December 31, 2017 was about €88 million. This amount has been secured with bank guarantees to obtain a suspension of collection efforts.

50. Events after the reporting period

Issue of new Green Bond in Europe for €1,250 million

On January 9, 2018, Enel Finance International successfully placed its second Green Bond on the European market. It is reserved for institutional investors and is backed by a guarantee issued by Enel.
The issue amounts to a total of €1,250 million and provides for repayment in a single instalment at maturity on September 16, 2026 and the payment of a fixed-rate coupon equal to 1.125%, payable annually in arrears in the month of September as from September 2018. The issue price was set at 99.184% and the effective yield at maturity is equal to 1.225%.
The transaction has received orders amounting to approximately €3 billion, with the significant participation of Socially Responsible Investors ("SRI"), enabling the Enel Group to continue to diversify its investor base. The net proceeds of the issue – carried out under the "€35,000,000,000 Euro Medium-Term Notes Program" – will be used to finance and/or refinance, in whole or in part, the eligible green projects of the Enel Group identified and/or to be identified in accordance with the "Green Bond Principles" published by the International Capital Market Association (ICMA).

Enel confirmed in ECPI Sustainability Indices

On January 23, 2018, Enel was confirmed for the tenth time in the ECPI Sustainability Index series, which assess companies on the basis of their environmental, social and governance (ESG) performance. Enel's inclusion in the index is recognition of its clear long-term strategic view, sound operational management practices and positive work in tackling social and environmental needs. Enel's Spanish subsidiary Endesa has also been included in ECPI Indices.
Enel has been included in four of ECPI's Indices:

> ECPI Global Renewable Energy Equity Index, which selects the 40 highest ESG-rated companies active in the production or trading of energy from renewable sources;
> ECPI Global Climate Change Equity Index, which offers investors exposure to companies that are best placed to seize the opportunities presented by the challenge of climate change;
> ECPI Euro ESG Equity Index, which is composed of the 320 companies with the largest market capitalization in the Eurozone market that meet ECPI ESG criteria;
> ECPI World ESG Equity Index, a broad benchmark representative of developed market companies that meet ECPI ESG criteria.

The ECPI Index series provides an essential tool to analyze companies' risk and performance regarding their ESG-related activities and to assess the performance of sustainability-driven asset managers. The socially responsible criteria used to select the indices' constituents enable investors to express their interest in sustainability issues and to move them up the corporate agenda.

Memorandum of understanding with PwC

On January 25, 2018, Enel X and PwC signed a memorandum of understanding for the development of corporate electric mobility with a program of testing and experimental projects. The agreement has a term of about three years and provides for a preliminary phase of studies and analysis, followed by the implementation of pilot projects in the field.
The objective is to foster the sustainable development of the transport sector, in particular the business sector, exploiting the potential offered by electric mobility in terms of reducing atmospheric pollution and fleet management costs. The test will be carried out with the PwC fleet with the aim of overturning the idea that electric vehicles can only be used by private individuals and in urban areas. PwC will also provide Enel X with its expertise in the field of electric mobility and fleet management for the development of innovative solutions in managing corporate fleets. In fact, e-cars could easily become part of the corporate world, given that almost half of company vehicles travel less than 100 kilometers a day, well below the average range of electric models on the market. The agreement between Enel and PwC will therefore enable them to share their respective

know-how and spread the culture of electric cars in corporate fleets among the companies in the PwC network in Italy.

Agreement to supply power in Nevada

On January 25, 2018, Enel Green Power North America ("EGPNA") signed a Power Purchase Agreement (PPA) with Wynn Las Vegas whereby the resort, located on the world-famous Las Vegas Strip, will buy the energy produced by EGPNA's new 27 MW Wynn Solar Facility at Stillwater. The new solar project, currently under construction in Nevada, is expected to start production by the 1st Half of 2018.
The investment in the construction of the new, 160-acre solar PV facility amounts to approximately $40 million, in line with the investment outlined in Enel's current Strategic Plan. The total output that will be produced by the PV plant and sold under the PPA with the Las Vegas resort is expected to amount to over 43,900 MWh annually.

Yankee Bond Award 2017

On January 31, 2018, Enel was recognized by International Financing Review (IFR), a leading provider of global capital markets intelligence, with the 2017 Yankee Bond Award for its $5 billion triple-tranche bond issued in May 2017, which is the largest ever US bond issued by an Italian corporate.
IFR praised Enel for the outstanding execution and pricing of the deal, the company's first US dollar foray since 2013. The transaction followed a concerted marketing approach implemented over more than four years, during which Enel updated US investors on a regular basis, making them aware of the fundamental strengths of Enel's business.

Agreement for acquisition of Parques Eólicos Gestinver

On February 2, 2018 Enel Green Power España ("EGPE") signed an agreement to purchase 100% of Parques Eólicos Gestinver, a company that owns five wind plants in Galicia and Catalonia with a total capacity of about 132 MW, from the Spanish companies Elawan Energy and Genera Avante for a total price of €178 million.
Following the closing, which is scheduled to take place in the 1st Half of 2018 and subject to a series of normal conditions for this type of transaction, the installed capacity of EGPE in Spain will exceed 1,806 MW, of which 1,749 MW of wind power (about 8% of total installed wind capacity in Spain), 43 MW of mini-hydro and 14 MW from other renewable resources.

Partnership agreement in Canada

On February 7, 2018, Enel Green Power North America ("EGPNA") signed a partnership agreement with Alberta Investment Management Corporation under which the Group will sell 49% of the shares in the 115 MW Riverview Wind and the 30.6 MW Phase 2 of Castle Rock Ridge wind farms, both to be built in Alberta, Canada. The total price for the transaction, which will be paid upon closing of the deal, will be determined at commercial operation of the wind farm, which is expected by the end of 2019. Following the closing of the transaction, EGPNA will manage, operate and maintain both wind farms while retaining a 51% majority ownership of the interest in the projects.
Riverview Wind and Phase 2 of Castle Rock Ridge, which is an expansion of EGPNA's existing 76.2 MW Castle Rock Ridge wind farm, are both located in Pincher Creek, Alberta. The overall investment in the construction of the two wind farms, which are due to enter into service by the end of 2019, amounts to about $170 million. Once operational, the two facilities are expected to generate around 555 GWh per year, more than doubling the Group's capacity in Canada, which currently stands at more than 103 MW.
The two wind farms will supply their power and renewable energy credits to the Alberta Electric System Operator ("AESO") under two 20-year Renewable Energy Support Agreements that were awarded to Enel in December 2017 in the first tender under the Province's Renewable Electricity Program.

Contract to supply demand response services in Japan

On February 8, 2018, Enel X, acting through its US demand

response services company EnerNOC, was awarded the delivery of 165 MW of demand response resources in Japan following the completion of a tender for balancing reserves launched by a group of Japanese utilities.
As a result of this award, which confirms Enel as the largest independent demand response aggregator in Japan, the Group will nearly triple its virtual power plant in the Japanese market, reaching approximately 165 MW from the current 60 MW, equivalent to a market share of 17%, when the new programs begin in July 2018.

2018 Corporate Governance Award

On February 12, 2018, Ethical Boardroom, a leading specialized UK magazine, recognized Enel with the 2018 Corporate Governance Award for Europe in the "Utilities" industry sector. The magazine, which covers and analyzes global governance issues, praised Enel's sustainability standards and corporate governance best practices. Enel was nominated for the award by the magazine's readers, which include top executives from leading global listed companies and sustainability analysts from major institutional investors. Enel is the only Italian company in this year's Ethical Boardroom corporate governance awards edition.

Memorandum of understanding for sustainable mobility in the tourist industry in Italy

On February 15, 2018, Enel and the Ministry for Cultural Heritage signed a memorandum of understanding for the promotion and development of the use of electricity for sustainable mobility in the tourism sector.
The memorandum is a strategic lever for increasing public awareness of the benefits of electric mobility. It will also permit the creation of an institutional framework for subsequent commercial agreements with trade associations for the installation of electric charging infrastructure at tourist facilities and the launch of projects in the main tourist cities.
Enel, through Enel X, the Group company dedicated to the development of innovative products and services, will collaborate with trade associations and tourism industry bodies to install electric charging stations at tourist accommodations using tailored commercial solutions and on research and design for replicable solutions to be extended to other areas of the Italian peninsula.
Enel will also experiment with electric mobility systems in metropolitan areas and in the main tourist cities, including arrangements in partnership with other operators in the industry.

Fortaleza - Brazil

The company Petroleo Brasileiro SA ("Petrobras"), the gas supplier for the Fortaleza plant (Central Geradora Termelétrica Fortaleza - "CGTF") in Brazil, announced its intention to terminate the contract between the parties on the basis of an alleged economic-financial imbalance in consideration of current market conditions. The contract was signed in 2003 as part of the "Thermoelectric priority program" established by the Brazilian government to increase thermal generation and enhance supply security in the country. The program provided for the Brazilian State to be the guarantor of the supply of gas at regulated prices determined by the Ministry of Finance, Mines and Energy.
CGTF, in order to guarantee electricity security in Brazil, started legal action against Petrobras and at the end of 2017 obtained a precautionary injunction from the courts that suspended the termination of the contract, which was declared to be still in effect.
At the end of January 2018, CGTF received the arbitration request from Petrobras concerning the disputes described above and this proceeding is in the preliminary stages.
Subsequently, on February 27, 2018, the court decided to extinguish the action initiated by CFTG before the ordinary courts and, consequently, to revoke the precautionary injunction that had allowed the supply of gas.
CGTF has challenged this last decision in order to restore the gas supply, confident that the court recognizes Petrobras' obligation to perform the contract.

Construction of new wind farm in the United States

Enel, acting through its US renewable energy company Enel Green Power North America, has started construction of Diamond Vista wind farm, which will have an installed capacity of around 300 MW and will be located in Marion and Dickinson Counties, in Kansas. Once completed, Diamond Vista will further secure Enel's position as the largest wind operator in the state with some 1,400 MW of operational wind capacity.

The Diamond Vista wind project will sell its power to three large customers, including the global manufacturing company Kohler Co.

The planned investment in the construction of Diamond Vista amounts to about $400 million and is part of the investment outlined in the Enel Group's current Strategic Plan. The project is financed through the Enel Group's own resources. The project is expected to enter into service by the end of 2018 and, once fully operational, will be able to generate around 1,300 GWh annually.

e-distribuzione wins tender of Ministry for Economic Development for the construction of smart grids

e-distribuzione has won a national call for tenders for electricity infrastructure for the construction of smart grids for the distribution of electricity in the less developed regions, for which the Ministry for Economic Development has allocated €80 million to the National Operational Programme (NOP) on "Enterprises and Competitiveness" 2014-2020.

The tender calls for the construction, upgrading, efficiency enhancement and strengthening of electricity distribution infrastructure, or smart grids, in order to directly increase the share of electricity demand met by distributed generation from renewables. To reach this goal, e-distribuzione was awarded all of the resources currently allocated by the Ministry for Economic Development to finance the initiative, with 21 projects admitted for funding (grants for 100% of costs) totaling €80 million, with two projects worth €7 million in Basilicata, seven projects worth €29 million in Campania and 12 projects worth €44 million in Sicily.

Seizure of Brindisi power station

With a measure issued on March 16, 2018, the Prosecutor's Office of Lecce confirmed the measure issued on December 18, 2017 and, as a result, ordered the enforcement of the precautionary seizure of €523.3 million by the Finance Police of Taranto.

The Finance Police notified that measure on March 19, 2018, giving a time limit of March 21, 2018, for the identification/opening of a current account with a bank recognized by the *Fondo Unico di Giustizia* (Single Justice Fund).

The company is complying with the order.