Notes to the separate financial statements

1

Form and content of the financial statements

Enel SpA is a corporation (società per azioni) that operates in the electricity and gas sector and has its registered office in Viale Regina Margherita 137, Rome, Italy.
In its capacity as holding company, Enel SpA sets the strategic objectives for the Group and its subsidiaries and coordinates their activities. The activities that Enel SpA performs in respect of the other Group companies as part of its management and coordination function, including with regard to the company's organizational structure, can be summarized as follows:

> **Holding company functions**, associated with the coordination of governance processes at the Group level:
- Administration, Finance and Control;
- Human Resources and Organization;
- Communications;
- Legal and Corporate Affairs;
- Innovation and Sustainability;
- European Affairs;
- Audit;

> **Global Business Line functions**, which are responsible for coordination and development of their business in all the geographical areas in which the Group operates:
- Global Infrastructure and Networks;
- Global Thermal Generation;
- Global Renewable Energy;
- Global Trading;
- Global Enel X;

> **Global service functions**, which are responsible at the Group level for coordinating all information technology and purchasing activities:
- Global Purchasing;
- Global ICT.

Within the Group, Enel SpA meets liquidity requirements primarily through cash flows generated by ordinary operations and the use of a range of sources of funds, while managing any excess liquidity appropriately.
As the Parent Company, Enel SpA has prepared the consolidated financial statements of the Enel Group for the year ending December 31, 2017, which form an integral part of this Annual Report pursuant to Article 154-*ter*, paragraph 1, of the Consolidated Law on Financial Intermediation (Legislative Decree 58 of February 24, 1998).

On March 22, 2018, the Board authorized the publication of these financial statements at December 31, 2017.
These financial statements have undergone statutory auditing by EY SpA.

Basis of presentation

The separate 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 financial statements consist of the income statement, the statement of comprehensive income, the balance sheet,

the statement of changes in shareholders' equity and the statement of cash flows and the related notes.

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

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

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

The income statement, the balance sheet and the statement of cash flows report transactions with related parties, the definition of which is given in the section "Accounting policies and measurement criteria" for the consolidated financial statements.

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

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

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

2

Accounting policies and measurement criteria

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

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

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

Joint ventures are entities over which Enel SpA exercises joint control and has rights to the net assets of the entities. Joint control means sharing control of an arrangement, which only exists when the decisions over the relevant activities require the unanimous consent of all the parties that share control.

Equity investments in subsidiaries, associates and joint ventures are measured at cost. Cost is adjusted for any impairment losses, which are reversed where the reasons for their recognition no longer obtain. The carrying amount resulting from the reversal may not exceed the original cost. Where the loss pertaining to Enel SpA exceeds the carrying amount of the investment and the company is obligated to perform the legal or constructive obligations of the investee or in any event to cover its losses, the excess with respect to the carrying amount is recognized in liabilities in the provision for risks and charges.

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

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

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

Use of estimates and management judgments

The use of estimates and management judgements adopted in preparing the separate financial statements are the same, where applicable, as those adopted in the preparation of the consolidated financial statements, which readers are invited to consult, with the exception of the measurement of equity investments, which is discussed below.

Recoverability of equity investments

The company assesses the presence of evidence of impairment of each equity investment at least once a year, consistent with its strategy for managing the legal entities within the Group. If such evidence is found, the assets involved undergo impairment testing. The processes and procedures for determining the recoverable value of each equity investment are based on assumptions that can be complex and whose nature requires management to use its judgment, especially as regards the identification of evidence of impairment, the forecasting of future profitability over the horizon of the Group business plan, the determination of the normalized cash flows underlying the estimation of terminal value and the determination of long-term growth rates and discount rates applied to forecasts of future cash flows.

3

Recent accounting standards

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

As regards the application of the new standards "IFRS 9 - Financial instruments" and "IFRS 15 - Revenue from contracts with customers", the projects begun in 2016 to identify the impact of their adoption were completed in 2017.

Upon first-time application, the effects of the adoption of IFRS 9 associated with "Classification and measurement" and "Impairment" will be recognized in shareholders' equity at January 1, 2018, while the adoption of the "Hedge accounting" provisions is prospective, with the exception of the option of separating the currency basis spreads from the hedge relationship, which the Group opted to apply retrospectively.

On the basis of the analysis conducted, the adoption as from January 1, 2018 of IFRS 9 will produce, net of the associated tax effects, an immaterial reduction in shareholders' equity, mainly associated with the adoption of the expected loss model.

As regards the application of IFRS 15, no significant circumstances that would be impacted by the new provisions have emerged.

Information on the income statement

Revenue

4.a Revenue from services - *€120 million*

Revenue from services breaks down as follows.

Millions of euro

	2017	2016	Change
Services			
Group companies	118	197	(79)
Non-Group counterparties	2	-	2
Total revenue from services	**120**	**197**	**(77)**

Revenue from services, in the amount of €120 million, include €118 million for services provided to subsidiaries within the scope of the company's management and co-ordination functions and for the billing of costs of various nature incurred in relation to subsidiaries.
The overall decrease of €77 million was due mainly to the reduction in management and technical fees, which reflects a number of balancing payments related to financial years 2015 and 2016, as well as to application of the new remuneration model adopted by the Parent Company during the year.
Revenue from services breaks down by geographical area as follows:

- €75 million in Italy (€129 million in 2016);
- €25 million in the European Union (€46 million in 2016);
- €7 million in non-EU Europe (€13 million in 2016);
- €13 million in other countries (€9 million in 2016).

4.b Other revenue and income - *€13 million*

Other revenue and income, in the amount of €13 million in 2017, is essentially related to seconded personnel, both for the year under review and for the previous year, and increased by €3 million (€10 million in 2016).

Costs

5.a Purchases of consumables - *€1 million*

Purchases of consumables, in the amount of €1 million, remained unchanged from the previous year.

5.b Services, leases and rentals - *€165 million*

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

Millions of euro

	2017	2016	Change
Services	149	135	14
Leases and rentals	16	17	(1)
Total services, leases and rentals	**165**	**152**	**13**

Costs for services, totaling €149 million, include costs for services provided by third parties in the amount of €79 million (€73 million in 2016) and costs for services provided by Group companies in the amount of €70 million (€62 million in 2016). More specifically, the €6 million increase in costs for services provided by third parties was mainly due both to the increase in costs incurred for strategic, management and organizational consulting and to greater costs for advertising, marketing, promotional and press materials, which were partially offset by the recognition of past items in 2017.
Costs for services provided by Group companies increased by €8 million due mainly to an increase in costs for IT services, personal services, and facility-management services provided by the subsidiary Enel Italia Srl (€4 million).
Costs for leases and rentals mainly concern costs for leasing assets from the subsidiary Enel Italia Srl and decreased by €1 million compared with the previous year.

5.c Personnel - *€174 million*

Personnel costs break down as follows.

Millions of euro

	Notes	**2017**	2016	Change
Wages and salaries		108	108	-
Social security costs		34	35	(1)
Post-employment benefits	24	9	7	2
Other long-term benefits	24	20	14	6
Other costs and other incentive plans	25	3	2	1
Total personnel costs		**174**	**166**	**8**

Personnel costs, in the amount of €174 million, increased by €8 million compared with 2016 due mainly to the increase in costs for other long term benefits (of which €5 million in long-term incentive plans) and post-employment benefits for defined benefit plans (€2 million).

The table below shows the average number of employees by category, compared with the previous year, and the actual number of employees at December 31, 2017.

	Average number			Headcount
	2017	2016	Change	**at Dec. 31, 2017**
Managers	239	240	(1)	248
Middle managers	565	539	26	623
White collar	367	356	11	375
Total	**1,171**	**1,135**	**36**	**1,246**

5.d Depreciation, amortization and impairment losses - *€15 million*

Millions of euro

	2017	2016	Change
Depreciation	4	4	-
Amortization	11	12	(1)
Impairment losses	-	474	(474)
Reversals of impairment losses	-	42	(42)
Total depreciation, amortization and impairment losses	**15**	**448**	**(433)**

Depreciation, amortization and impairment losses, in the amount of €15 million (€448 million in 2016), decreased by €433 million compared with the previous year. In 2017, the aggregate was related solely to depreciation (€4 million) and amortization (€11 million), which remained essentially unchanged compared with the previous year.

In 2016, in addition to depreciation and amortization, the aggregate included the impairment loss on the investment in Enel Produzione SpA (€474 million) and the reversal of impairment on the investment in Enel Trade SpA (€42 million), which had been recognized based on the impairment tests conducted on the investments.

5.e Other operating expenses - *€20 million*

Other operating expenses, totaling €20 million, increased by €3 million compared with the previous year due essentially to an increase in entertainment expenses.

As a result, the **operating loss** came to €242 million, an improvement of €335 million compared with the previous year.

6. Income from equity investments - *€3,033 million*

Income from equity investments, in the amount of €3,033 million in 2017, represents dividends and advances on dividends approved by subsidiaries and associates in the amount of €3,032 million and by other shareholdings in the amount of €1 million. This is an increase of €151 million over the previous year due, in part, to the effect of advances on dividends approved by the subsidiaries Enel Américas and Enel Chile following the reorganization that involved the Group's businesses in South America.

Millions of euro

	2017	2016	Change
Dividends from subsidiaries and associates	**3,032**	**2,876**	**156**
Enel Produzione SpA	-	304	(304)
e-distribuzione SpA	1,448	1,610	(162)
Enel.Factor SpA	3	3	-
Enel Italia Srl	23	-	23
Enel Energia SpA	679	358	321
Servizio Elettrico Nazionale SpA	80	-	80
Enel Green Power SpA	50	50	-
Enel Iberia Srl	677	550	127
Enel Sole Srl	15	-	15
Enel Américas SA	25	-	25
Enel Chile SA	31	-	31
CESI SpA	1	1	-
Dividends from other companies	**1**	**6**	**(5)**
Emittenti Titoli SpA	-	6	(6)
Empresa Propietaria de la Red SA	1	-	1
Total income from equity investments	**3,033**	**2,882**	**151**

7. Net financial income/(expense) from derivatives - *€(219) million*

This item breaks down as follows.

Millions of euro

	2017	2016	Change
Income from derivatives:			
- on behalf of Group companies:	**2,533**	**2,515**	**18**
- income from derivatives at fair value through profit or loss	2,533	2,515	18
- on behalf of Enel SpA:	**150**	**272**	**(122)**
- income from fair value hedge derivatives	32	32	-
- income from cash flow hedge derivatives	108	158	(50)
- income from derivatives at fair value through profit or loss	10	82	(72)
Total income from derivatives	**2,683**	**2,787**	**(104)**
Expenses on derivatives:			
- on behalf of Group companies:	**2,523**	**2,520**	**3**
- expense on derivatives at fair value through profit or loss	2,523	2,520	3
- on behalf of Enel SpA:	**379**	**607**	**(228)**
- expense on fair value hedge derivatives	30	27	3
- expense on cash flow hedge derivatives	341	497	(156)
- expense on derivatives at fair value through profit or loss	8	83	(75)
Total expenses on derivatives	**2,902**	**3,127**	**(225)**
TOTAL FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES	**(219)**	**(340)**	**121**

The net expense on derivatives totals €219 million (as compared with €340 million in 2016) and essentially represents the net expense on derivatives entered into on behalf of Enel SpA.
The improvement of €121 million compared with the previous year is essentially due to the decrease in net expense on cash flow hedge derivatives (€106 million), all of which were entered into on behalf of Enel SpA on both interest rates and exchange rates.

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

8. Other net financial income/(expense) - *€(462) million*

This item breaks down as follows.

Millions of euro

	2017	2016	Change
Other financial income			
Interest income			
Interest income on long-term financial assets	2	4	(2)
Interest income on short-term financial assets	30	42	(12)
Total	**32**	**46**	**(14)**
Positive exchange rate differences	238	398	(160)
Income on fair value hedges - post-hedge adjustment	13	8	5
Other	127	104	23
Total other financial income	**410**	**556**	**(146)**
Other financial expense			
Interest expense			
Interest expense on bank borrowings	55	32	23
Interest expense on bonds	735	840	(105)
Interest expense on other borrowings	70	54	16
Total	**860**	**926**	**(66)**
Negative exchange rate differences	5	44	(39)
Interest expense on defined benefit plans and other long-term employee benefits	4	6	(2)
Other	3	3	-
Total other financial expense	**872**	**979**	**(107)**
TOTAL OTHER NET FINANCIAL INCOME/(EXPENSE)	**(462)**	**(423)**	**(39)**

Other net financial expense amounted to €462 million, mainly reflecting interest expense on borrowings in the amount of €860 million, which was partially offset by positive exchange rate differences in the amount of €238 million, interest income on short and long-term financial assets totaling €32 million, and other financial income on guarantees granted on behalf of Group companies in the amount of €124 million. The increase of €39 million in other net financial expense compared with 2016 was due mainly to the €160 million decrease in positive exchange rate differences on hedged loans in foreign currencies, which were affected by the trends in the euro against the dollar and the pound sterling. These effects were partially offset by the decrease in interest expense on bonds in the amount of €105 million.

9. Income taxes - *€(160) million*

Millions of euro

	2017	2016	Change
Current taxes	(162)	(184)	22
Deferred tax income	4	6	(2)
Deferred tax expense	(2)	-	(2)
Total taxes	**(160)**	**(178)**	**18**

Income taxes for 2017 showed a creditor position of €160 million, mainly as a result of the reduction in the tax base for the corporate income tax (IRES) compared with income before taxes due to the exclusion of 95% of the dividends received from the subsidiaries and the deductibility of Enel SpA's interest expense for the Group in accordance with corporate income tax law (Article 96 of the Uniform Income Tax Code).

The €18 million difference compared with the previous year (when the creditor position was €178 million) is attributable to the increase in estimated taxable income.

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

Millions of euro

	2017	% rate	2016	% rate
Income before taxes	2,110		1,542	
Theoretical corporate income taxes (IRES)	**506**	**24.0%**	**424**	**27.5%**
Tax decreases:				
- dividends on equity investments, collected	(678)	-32.1%	(753)	-48.8%
- dividends from equity investments, not collected	(13)	-0.6%	-	-
- uses of provisions	(16)	-0.8%	(13)	-0.8%
- other	-	-	(7)	-0.5%
Tax increases:				
- writedowns/(writebacks) for the year	-	-	119	7.7%
- accruals to provisions	12	0.6%	7	0.5%
- prior-year expense	2	0.1%	3	0.2%
- other	23	1.1%	25	1.6%
Total current corporate income taxes (IRES)	**(164)**	**-7.8%**	**(195)**	**-12.6%**
IRAP	**-**	**-**	**-**	**-**
Difference on estimated income taxes from prior years	**-**	**-**	**11**	**0.7%**
Definitive withholdings on dividends from foreign shareholdings	**2**	**0.1%**	**-**	**-**
Total deferred tax items	**2**	**0.1%**	**6**	**0.4%**
- of which impact of change in tax rate	*-*		*1*	
- of which changes for the year	*4*		*5*	
- of which difference of prior-year estimates	*(2)*		*-*	
TOTAL INCOME TAXES	**(160)**	**-7.6%**	**(178)**	**-11.5%**

Information on the balance sheet

Assets

10. Property, plant and equipment - *€10 million*

Developments in property, plant and equipment for 2016 and 2017 are set out in the table below.

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	**Total**
Cost	1	3	3	5	19	35	**66**
Accumulated depreciation	-	(2)	(3)	(5)	(18)	(31)	**(59)**
Balance at Dec. 31, 2015	**1**	**1**	**-**	**-**	**1**	**4**	**7**
Capital expenditure	-	-	-	-	1	5	**6**
Depreciation	-	-	-	-	(1)	(3)	**(4)**
Total changes	**-**	**-**	**-**	**-**	**-**	**2**	**2**
Cost	1	3	3	5	20	40	**72**
Accumulated depreciation	-	(2)	(3)	(5)	(19)	(34)	**(63)**
Balance at Dec. 31, 2016	**1**	**1**	**-**	**-**	**1**	**6**	**9**
Capital expenditure	-	-	-	-	4	1	**5**
Depreciation	-	-	-	-	(1)	(3)	**(4)**
Total changes	**-**	**-**	**-**	**-**	**3**	**(2)**	**1**
Cost	1	3	3	5	24	41	**77**
Accumulated depreciation	-	(2)	(3)	(5)	(20)	(37)	**(67)**
Balance at Dec. 31, 2017	**1**	**1**	**-**	**-**	**4**	**4**	**10**

Property, plant and equipment totaled €10 million, an increase of €1 million compared with the previous year, essentially attributable to the positive net balance between capital expenditure during the year (€5 million) and depreciation for the same period (€4 million). Capital expenditure related to other assets refer to hardware systems, while leasehold improvements regard the renovation and redevelopment of a number of buildings housing Enel SpA's headquarters.

11. Intangible assets - *€31 million*

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

Millions of euro	Industrial patents and intellectual property rights	Other intangible assets under development	Total
Balance at Dec. 31, 2015	**14**	**-**	**14**
Investments	9	7	**16**
Assets entering service	-	-	**-**
Amortization	(12)	-	**(12)**
Total changes	**(3)**	**7**	**4**
Balance at Dec. 31, 2016	**11**	**7**	**18**
Investments	24	-	**24**
Assets entering service	7	(7)	**-**
Amortization	(11)	-	**(11)**
Total changes	**20**	**(7)**	**13**
Balance at Dec. 31, 2017	**31**	**-**	**31**

Industrial patents and intellectual property rights, in the amount of €31 million at December 31, 2017, relate mainly to costs incurred in purchasing software as well as related evolutionary maintenance. Amortization is calculated on a straight-line basis over the item's residual useful life (three years on average).

The amount of the item increased by €20 million as compared with the previous year, attributable to investments for the year amounting to €24 million and assets entering service in the amount of €7 million, which were partially offset by amortization for the year of €11 million. More specifically, investments concerned information-technology projects related to the evolution of software associated with existing systems and the development of new systems, while assets entering service refer mainly to the Evolution for Energy (E4E) project, which was undertaken at the global level to harmonize and integrate processes and systems to support the Global Business Lines and the Administration, Finance and Control, and Global Procurement functions, as well as other projects connected with the evolution of software associated with existing systems.

Other intangible assets under development had a zero balance as at December 31, 2017.

12. Deferred tax assets and liabilities - *€299 million and €168 million*

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

Millions of euro

	at Dec. 31, 2016	Increase/(Decrease) taken to income statement	Increase/(Decrease) taken to equity	Other changes	**at Dec. 31, 2017**
	Total				**Total**
Deferred tax assets					
Nature of temporary differences:					
- provisions for risks and charges and impairment losses	6	(1)	-	-	5
- derivatives	299	-	(69)	-	230
- costs for capital increase	2	-	-	-	2
- other items	63	(3)	2	-	62
Total deferred tax assets	**370**	**(4)**	**(67)**	**-**	**299**
Deferred tax liabilities					
Nature of temporary differences:					
- measurement of financial instruments	239	-	(76)	-	163
- other items	7	(2)	-	-	5
Total deferred tax liabilities	**246**	**(2)**	**(76)**	**-**	**168**
Excess net deferred IRES tax assets after any offsetting	**169**				**162**
Excess net deferred IRAP tax liabilities after any offsetting	**(45)**				**(31)**

Deferred tax assets totaled €299 million (€370 million at December 31, 2016), a decrease of €71 million compared with the previous year, which was due mainly to the recognition of deferred tax assets connected with the fair value measurement of cash flow hedge operations.
Deferred tax liabilities totaled €168 million (€246 million at December 31, 2016), a decrease of €78 million, due essentially to the recognition of deferred taxes on the fair value measurement of cash flow hedge financial instruments.

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

13. Equity investments - *€42,811 million*

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

Millions of euro	Original cost	(Writedowns)/ Revaluations	Other changes - IFRIC 11 & IFRS 2	Carrying amount	% holding	Acquisitions/ (Disposals)/ (Liquidations)/ (Repayments)
					at Dec. 31, 2016	
A) Subsidiaries						
Enel Produzione SpA	4,892	(986)	4	3,910	100,0	-
Enel Ingegneria e Ricerca SpA	86	(84)	1	3	100,0	-
e-distribuzione SpA	4,054	-	2	4,056	100,0	-
Servizio Elettrico Nazionale SpA	110	-	-	110	100,0	-
Enel Trade SpA	1,401	(208)	1	1,194	100,0	-
Enel Green Power SpA	6,538	-	2	6,540	100,0	-
Enel X Srl	-	-	-	-	-	-
Enel Investment Holding BV	8,498	(4,473)	-	4,025	100,0	-
Enelpower SpA	189	(159)	-	30	100,0	-
Enel Global Thermal Generation Srl	-	-	-	-	-	-
Enel Energia SpA	1,321	(8)	-	1,313	100,0	-
Enel Iberia Srl	18,300	-	-	18,300	100,0	-
Enel South America Srl	-	-	-	-	-	
Enel.Factor SpA	18	-	-	18	100,0	-
Enel Sole Srl	5	-	-	5	100,0	-
Enel Italia Srl	525	(41)	3	487	100,0	-
Enel Innovation Hubs Srl	70	(54)	-	16	100,0	-
Enel M@p Srl	-	-	-	-	-	12
Enel Finance International NV	2,397	-	-	2,397	100,0	-
Tynemouth Energy Storage Limited	-	-	-	-	-	5
Enel Américas SA	-	-	-	-	-	-
Enel Chile SA	-	-	-	-	-	-
Total subsidiaries	**48,404**	**(6,013)**	**13**	**42,404**		**17**
B) Joint ventures						
OpEn Fiber SpA	365	-	-	365	50,0	-
Total joint ventures	**365**	**-**	**-**	**365**		**-**
C) Associates						
CESI SpA	23	-	-	23	42,7	-
Total associates	**23**	**-**	**-**	**23**		**-**
D) Other companies						
Empresa Propietaria de la Red SA	-	-	-	-	-	-
Red Centroamericana de Telecomunicaciones SA	-	-	-	-	-	-
Compañía de Transmisión del Mercosur SA	-	-	-	-	-	-
Elcogas SA	5	(5)	-	-	4,3	-
Emittenti Titoli SpA in liquidation	1	-	-	1	10,0	-
Idrosicilia SpA	-	-	-	-	1,0	-
Total other companies	**6**	**(5)**	**-**	**1**		**-**
TOTAL EQUITY INVESTMENTS	**48,798**	**(6,018)**	**13**	**42,793**		**17**

Formation/ Contributions (+/-)/ Demergers (+/-)/	Mergers (+/-)	Net change	Original cost	(Writedowns)/ Revaluations	Other changes - IFRIC 11 & IFRS 2	Carrying amount	% holding
Changes in 2017							**at Dec. 31, 2017**
-	3	3	4,895	(986)	4	3,913	100.0
-	(3)	(3)	83	(84)	1	-	-
-	-	-	4,054	-	2	4,056	100.0
-	-	-	110	-	-	110	100.0
-	-	-	1,401	(208)	1	1,194	100.0
-	-	-	6,538	-	2	6,540	100.0
5	-	5	5	-	-	5	100.0
-	-	-	8,498	(4,473)	-	4,025	100.0
-	-	-	189	(159)	-	30	100.0
1	-	1	1	-	-	1	100.0
-	-	-	1,321	(8)	-	1,313	100.0
(4,587)	-	(4,587)	13,713	-	-	13,713	100.0
4,587	(4,587)	-	-	-	-	-	-
-	-	-	18	-	-	18	100.0
(5)	-	(5)	-	-	-	-	-
-	-	-	525	(41)	3	487	100.0
-	-	-	70	(54)	-	16	100.0
-	-	12	12	-	-	12	100.0
-	-	-	2,397	-	-	2,397	100.0
-	-	5	5	-	-	5	100.0
-	2,822	2,822	2,822	-	-	2,822	51.8
-	1,760	1,760	1,760	-	-	1,760	60.6
1	**(5)**	**13**	**48,417**	**(6,013)**	**13**	**42,417**	
-	-	-	365	-	-	365	50.0
-	**-**	**-**	**365**	**-**	**-**	**365**	
-	-	-	23	-	-	23	42.7
-	**-**	**-**	**23**	**-**	**-**	**23**	
-	5	5	5	-	-	5	11.1
-	-	-	-	-	-	-	11.1
-	-	-	-	-	-	-	-
-	-	-	5	(5)	-	-	4.3
-	-	-	1	-	-	1	10.0
-	-	-	-	-	-	-	1.0
-	**5**	**5**	**11**	**(5)**	**-**	**6**	
1	**-**	**18**	**48,816**	**(6,018)**	**13**	**42,811**	

The table below reports changes in equity investments in 2017.

Millions of euro	
Increases	
Merger of Enel Ingegneria e Ricerca SpA into Enel Produzione SpA	3
Acquisition of the entire share capital of Tynemouth Energy Storage Limited	5
Formation of Enel eS Srl (renamed Enel X Srl) and subsequent assignment of the equity investment held by Enel SpA in Enel Sole Srl	5
Formation of Enel South America Srl by way of the partial cross-border, intra-European demerger of Enel Iberoamérica Srl (renamed Enel Iberia Srl)	4,587
Merger of Enel South America Srl into Enel SpA - Direct investment in Enel Américas SA	2,822
Merger of Enel South America Srl into Enel SpA - Direct investment in Enel Chile SA	1,760
Merger of Enel South America Srl into Enel SpA - Direct investment in Empresa Propietaria de la Red SA	5
Merger of Enel South America Srl into Enel SpA - Direct investment in Red Centroamericana de Telecomunicaciones SA	-
Merger of Enel South America Srl into Enel SpA - Direct investment in Compañía de Transmisión del Mercosur SA	-
Acquisition of the entire share capital of Enel M@p from e-distribuzione	12
Formation of Enel Global Thermal Generation Srl	1
Total increases	**9,200**
Decreases	
Merger of Enel Ingegneria e Ricerca SpA into Enel Produzione SpA	(3)
Assignment of the equity investment in Enel Sole Srl held by Enel SpA to Enel X Srl	(5)
Partial cross-border, intra-European demerger of Enel Iberoamérica Srl (renamed Enel Iberia Srl) in favor of the newly formed Enel South America Srl	(4,587)
Merger of Enel South America Srl into Enel SpA	(4,587)
Total decreases	**(9,182)**
NET CHANGE	**18**

In 2017, the value of investments in subsidiaries, joint ventures, associated and other companies increased by €18 million as a result of:

- the acquisition in May 2017, for €5 million (including a number of expected price adjustments), of the entire share capital of Tynemouth Energy Storage Limited from Element Power, a European company specialized in the development and operation of energy projects. The company holds a stand-alone project for a battery energy storage system (BESS) in Newcastle, England. The project, which is ready for construction, is to be carried out by Enel's Global Thermal Generation Division, will use lithium-ion batteries with a capacity of 25 MW (12.5 MWh), and is to be completed in early 2018;
- the formation, on June 5, 2017, of Enel eS Srl (subsequently renamed Enel X Srl) by paying in €50,000 of share capital held entirely by Enel SpA. This company, created in order to capitalize on the transformation of the energy industry, seeks to understand and meet the needs of Enel customers around the world, exploring opportunities in new technologies in order to develop innovative products focused on the needs of consumers and on digital, non-commodity solutions. The company will specifically focus on electric mobility, Vehicle-to-Grid projects, recharging infrastructures, energy efficiency management, batteries and energy-optimization platforms, public lighting, and distributed generation systems. To this end, on November 1, 2017, the Parent Company, Enel SpA, subscribed a capital increase in kind plus the share premium for a total value of €5 million (of which €1 million in share capital and €4 million in share premium) by assigning the entirety of the investment held in Enel Sole Srl;
- the acquisition, on November 16, 2017, of the entire sha-

re capital of Enel M@p Srl from e-distribuzione SpA for a payment of €12 million;

> the formation, on November 20, 2017, of Enel Global Thermal Generation Srl by subscribing and paying in the entire share capital in the amount of €1 million.

Other operations in 2017 did not result in changes in the overall value of the equity investments held by Enel SpA. Of particular note were the following:

> the merger of Enel Ingegneria e Ricerca SpA into Enel Produzione SpA effective on January 1, 2017;
> the formation, on June 8, 2017, of Enel South America Srl, an Italian company based in Rome (Viale Regina Margherita 137) established as a result of the partial cross-border, intra-European demerger of Enel Iberoamérica Srl (subsequently renamed Enel Iberia Srl) and wholly owned by Enel SpA;
> the merger of Enel South America Srl into Enel SpA in November 2017, effective retroactively for accounting and tax purposes to June 8, 2017, the date on which Enel South America Srl was listed with the Rome company register. Following this merger, conducted without the exchange of shares and so with no increase in capital for the surviving company, Enel SpA will be able to benefit from direct control of the Chilean companies Enel Américas SA and Enel Chile SA, which represent the lion's share of the Group's business in South America as a result of shorting the chain of control. The merger also resulted in Enel SpA holding an 11.11% direct investment in both Empresa Propietaria de la Red SA and Red Centroamericana de Telecomunicaciones SA, as well as a 0.0001% direct investment in Compañía de Transmisión del Mercosur SA.

The share certificates for Enel SpA's investments in Italian subsidiaries are held in custody at Monte dei Paschi di Siena.

The following table reports the share capital and shareholders' equity of the investments in subsidiaries, joint ventures, associates and other companies at December 31, 2017.

	Head office	Currency	Share capital	Shareholders' equity (millions of euro)	Prior year income/(loss) (millions of euro)	% holding	Carrying amount (millions of euro)
A) Subsidiaries							
Enel Produzione SpA	Rome	Euro	1,800,000,000	3,971	229	100.0	3,913
e-distribuzione SpA	Rome	Euro	2,600,000,000	4,454	1,332	100.0	4,056
Servizio Elettrico Nazionale SpA	Rome	Euro	10,000,000	210	101	100.0	110
Enel Trade SpA	Rome	Euro	90,885,000	527	(19)	100.0	1,194
Enel Green Power SpA	Rome	Euro	272,000,000	6,601	58	100.0	6,540
Enel X Srl	Rome	Euro	1,050,000	(8)	(13)	100.0	5
Enel Investment Holding BV	Amsterdam	Euro	1,593,050,000	3,282	140	100.0	4,025
Enelpower SpA	Milan	Euro	2,000,000	30	-	100.0	30
Enel Global Thermal Generation Srl	Rome	Euro	1,000,000	1	-	100.0	1
Enel Energia SpA	Rome	Euro	302,039	1,872	793	100.0	1,313
Enel Iberia Srl	Madrid	Euro	336,142,500	16,448	1,130	100.0	13,713
Enel.Factor SpA	Rome	Euro	12,500,000	52	3	100.0	18
Enel Italia Srl	Rome	Euro	50,000,000	400	16	100.0	487
Enel Innovation Hubs Srl	Rome	Euro	1,000,000	21	1	100.0	16
Enel M@p Srl	Rome	Euro	100,000	2	2	100.0	12
Enel Finance International NV	Amsterdam	Euro	1,478,810,371	1,863	(96)	100.0	2,397
Tynemouth Energy Storage Limited	London	Pound sterling	2	2	-	100.0	5
Enel Américas SA	Santiago	US dollar	6,763,204,424	5,813	1,072	51.8	2,822
Enel Chile SA	Santiago	Chilean peso	2,229,108,974,538	1,856	378	60.6	1,760
B) Joint ventures							
OpEn Fiber SpA	Milan	Euro	250,000,000	699	(11)	50.0	365
C) Associates							
CESI SpA	Milan	Euro	8,550,000	111	7	42.7	23
D) Other companies							
Empresa Propietaria de la Red SA	Panama	US dollar	58,500,000	105	5	11.1	5
Red Centroamericana de Telecomunicaciones SA	Panama	US dollar	2,700,000	1	-	11.1	-
Compañía de Transmisión del Mercosur SA	Buenos Aires	Argentine peso	14,012,000	(25)	(8)	-	-
Elcogas SA	Puertollano	Euro	809,690	(109)	3	4.3	-
Emittenti Titoli SpA in liquidation (1)	Milan	Euro	4,264,000	12	1	10.0	1
Idrosicilia SpA (1)	Milan	Euro	22,520,000	47	1	1.0	-

(1) The figures for share capital, shareholders' equity and net income refer to the financial statements at December 31, 2016.

The carrying amounts of the equity investments in Enel Investment Holding BV, Enel Trade SpA, Enel X Srl, Enel Italia Srl, Enel Finance International NV and Enel M@p Srl are considered to be recoverable even though they individually exceed the value of their respective shareholders' equity at December 31, 2017. This circumstance is not felt to represent an impairment loss in respect of the investment but rather a temporary mismatch between the two amounts. More specifically:

- in the case of Enel Italia Srl, it is attributable to the retroactive application of "IAS 19 - Employee benefits" in 2013, which involved the recognition of net actuarial losses and the consequent impact on the companies' shareholders' equity. As these losses are not monetary in nature, they will be recovered in future years with no cash outflow for the subsidiary;
- in the cases of Enel Trade SpA, Enel Investment Holding BV, Enel M@p Srl and Enel X Srl, the negative difference between the carrying amount of the equity investments and their shareholders' equity represented a trigger event, following which an impairment testing exercise determined the equity value of the investments on the basis of expected future cash flows. The assumptions and models used for the assessments were consistent, to the extent compatible, with those used for impairment testing in the consolidated financial statements. The exercise found a larger value for the equity investments that was not reflected in book shareholders' equity, thereby confirming that the value of the equity investments was fully recoverable;
- in the case of Enel Finance International NV, it is attributable to the negative developments in the fair value of a number of items in shareholders' equity.

It should also be noted that these shareholdings have passed their related impairment tests.

Equity investments in other companies at December 31, 2017, all regard unlisted companies and are measured at cost, as the fair value cannot be reliably determined.
The investment in Elcogas was completely written off in 2014 and, since January 1, 2015, the company, in which Enel has a stake of 4.3%, has been in liquidation. The profit participation loan of €6 million granted in 2014 has also been written down to take account of accumulated losses.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016
Equity investments in unlisted companies measured at cost	**6**	**1**
Empresa Propietaria de la Red SA	5	-
Red Centroamericana de Telecomunicaciones SA	-	-
Compañía de Transmisión del Mercosur SA	-	-
Elcogas SA	-	-
Emittenti Titoli SpA in liquidation	1	1
Idrosicilia SpA	-	-

14. Derivatives - *€1,456 million, €111 million, €2,270 million, €176 million*

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	1,456	2,469	111	480
Derivative financial liabilities	2,270	3,082	176	556

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

15. Other non-current financial assets - *€16 million*

The aggregate is composed of the following.

Millions of euro

	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016	Change
Prepaid financial expense		10	21	(11)
Other non-current financial assets included in debt	15.1	6	32	(26)
Total		**16**	**53**	**(37)**

Prepaid financial expense refers to transaction costs on the new €10 billion revolving credit facility established on December 18, 2017, between Enel SpA, Enel Finance International, and Mediobanca following the closure of the existing credit facility established on April 10, 2010, and renegotiated in 2013 and 2015. The change of €11 million compared with the previous year reflects the difference between the residual costs on the credit facility that was closed in advance and the transaction costs for the new facility. Acquisition of the new, five-year credit facility has resulted in a general reduction in cost.

15.1 Other non-current financial assets included in debt - *€6 million*

Millions of euro

	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016	Change
Financial receivables				
Due from subsidiaries	31.1.1	-	27	(27)
Other financial receivables		6	5	1
Total		**6**	**32**	**(26)**

Other non-current financial assets included in debt totaled €6 million as at December 31, 2017, and related solely to loans to employees.
The €26 million decrease compared with the previous year was due to the reduction in amounts due from subsidiaries, which only included the receivable resulting from Enel Italia Srl taking over its portion of financial debt.
In 2017, this receivable was reclassified among current financial assets.

16. Other non-current assets - *€148 million*

This item breaks down as follows.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Tax receivables	9	34	(25)
Receivable from subsidiaries for assumption of supplementary pension plan liabilities	139	154	(15)
Total	**148**	**188**	**(40)**

Tax receivables regard the tax credit in respect of the claim for reimbursement submitted by Enel SpA on its own behalf for 2003 and on its own behalf and as the consolidating company for 2004-2011 for excess income tax paid as a result of not partially deducting IRAP in calculating taxable income for IRES purposes. The decrease of €25 million compared with the previous year was essentially due to the reimbursement by the Revenue Agency, both principal and interest, of the receivable related to 2011.

Receivable from subsidiaries for assumption of supplementary pension plan liabilities, in the amount of €139 million, refers to receivables in respect of the assumption by Group companies of their share of the supplementary pension plan. The terms of the agreement state that the Group companies concerned are to reimburse the costs of extinguishing defined benefit obligations of the Parent Company, which are recognized under employee benefits.

On the basis of actuarial forecasts made using current assumptions, the portion due beyond five years of these receivables from subsidiaries for assumption of supplementary pension plan liabilities came to €76 million (€90 million at December 31, 2016).

17. Trade receivables - *€237 million*

The item breaks down as follows.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Trade receivables:			
- due from subsidiaries	208	229	(21)
- due from non-Group customers	29	26	3
Total	**237**	**255**	**(18)**

Trade receivables, which totaled €237 million, consist of receivables due from subsidiaries (€208 million) and non-Group customers (€29 million).

Trade receivables due from subsidiaries primarily regard the management and coordination services and other activities performed by Enel SpA on behalf of Group companies. Compared with December 31, 2016, the decrease of €21 million reflects the trend in revenue related to these services.

Receivables from non-Group customers concern services of various nature and totaled €29 million, which is essentially unchanged from December 31, 2016.

Trade receivables due from subsidiaries break down as follows.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Subsidiaries			
Enel Iberia Srl	1	2	(1)
Enel Produzione SpA	13	16	(3)
e-distribuzione SpA	33	34	(1)
Enel Green Power SpA	3	16	(13)
Enel Américas SA	3	4	(1)
Endesa SA	4	-	4
Servizio Elettrico Nazionale SpA	1	4	(3)
Enel Trade SpA	1	4	(3)
Enel Energia SpA	1	10	(9)
Enel Italia Srl	18	9	9
Enel Green Power North America Inc.	1	1	-
Enel X Srl	2	-	2
Enel Russia PJSC	16	17	(1)
Endesa Distribución Eléctrica SL	27	36	(9)
Endesa Generación SA	10	20	(10)
Endesa Energía SA	4	5	(1)
Enel Romania Srl	4	4	-
Enel Brasil SA	25	13	12
Enel Distribución Perú SAA	6	5	1
Enel Generación Perú SAA	6	5	1
Unión Eléctrica de Canarias Generación SAU	3	5	(2)
Other	26	19	7
Total	**208**	**229**	**(21)**

Trade receivables by geographical area are shown below.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Italy	77	96	(19)
EU	97	103	(6)
Non-EU Europe	17	6	11
Other	46	50	(4)
Total	**237**	**255**	**(18)**

18. Income tax receivables - *€265 million*

Income tax receivables at December 31, 2017 amounted to €265 million and essentially regard the company's IRES credit for estimated current taxes (€165 million) and the receivable with respect to the consolidated IRES return for 2016 (€98 million).

19. Other current financial assets - *€4,350 million*

This item can be broken down as follows.

Millions of euro

	Notes	at Dec. 31, 2017	at Dec. 31, 2016	Change
Other current financial assets included in debt	19.1	4,085	3,912	173
Other sundry current financial assets		265	309	(44)
Total		**4,350**	**4,221**	**129**

19.1 Other current financial assets included in debt - *€4,085 million*

Millions of euro

	Notes	at Dec. 31, 2017	at Dec. 31, 2016	Change
Financial receivables due from Group companies:				
- short-term financial receivables (intercompany current accounts)	31.1.1	1,984	2,849	(865)
- current portion of receivables for assumption of loans	31.1.1	27	45	(18)
Financial receivables due from others:				
- current portion of long-term financial receivables		1	1	-
- other financial receivables		(1)	5	(6)
- cash collateral for margin agreements on OTC derivatives	31.1.1	2,074	1,012	1,062
Total		**4,085**	**3,912**	**173**

Other current financial assets included in debt, amounting to €4,085 million at December 31, 2017, refer to financial receivables due from Group companies (€2,011 million) and financial receivables due from others (€2,074 million).
Financial receivables due from Group companies decreased by €883 million compared with December 31, 2016, due to the decline in in short-term financial receivables due from Group companies on the intercompany current account (€865 million).
Financial receivables due from others increased by €1,056 million, essentially attributable to the increase in cash collateral paid to counterparties for over-the-counter derivatives on interest rates and exchange rates.

20. Other current assets - *€452 million*

At December 31, 2017, the item broke down as follows.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Tax receivables	10	34	(24)
Other receivables due from Group companies	435	261	174
Receivables due from others	7	4	3
Total	**452**	**299**	**153**

With respect to December 31, 2016, other current assets show an overall increase of €153 million.
Tax receivables amounted to €10 million, primarily including receivables with respect to prior-year income taxes (€8 million). The €24 million decrease compared with the previous year is essentially attributable to the VAT receivable (€27 million) recognized by the Group as at December 31, 2016 (now a payable balance of €90 million as at December 31, 2017).
Other receivables due from Group companies essentially regard VAT receivables in respect of participating in the Group VAT mechanism (€348 million), IRES receivables in respect of the Group companies participating in the consolidated taxation mechanism (€33 million), and receivables

for the interim dividend approved in 2017 by the subsidiaries Enel Américas SA and Enel Chile SA (€24 million and €28 million, respectively), which was collected in January 2018. The increase of €174 million compared with December 31, 2016 was essentially due to the greater VAT receivables in respect of participating in the Group VAT mechanism (€295 million), the aforementioned receivables for the interim dividends (totaling €52 million), and the reduction in intragroup receivables related to the Italian IRES tax consolidation (€175 million).

Receivables due from others, in the amount of €7 million as at December 31, 2107, were essentially in line with the figure for 2016 (€4 million).

21. Cash and cash equivalents - *€2,489 million*

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €4 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	2,489	3,038	(549)
Cash and cash equivalents on hand	-	-	-
Total	**2,489**	**3,038**	**(549)**

Cash and cash equivalents amounted to €2,489 million, a decrease of €549 million compared with December 31, 2016, due to the impact of the redemption and repurchase of a number of bonds, new long-term bank borrowings, the payment of dividends during 2016 as approved by the Enel SpA shareholders on May 4, 2017, as well as normal operations connected with the central treasury function performed by the Parent Company.

Liabilities and equity

22. Shareholders' equity - *€27,236 million*

Shareholders' equity amounted to €27,236 million, up €320 million compared with December 31, 2016. The increase is attributable to net income for the year (€2,303 million), the distribution of the dividend for 2016 in the amount of €0.09 per share (for a total of €915 million), as approved by the shareholders on May 4, 2017, and the interim dividend for 2017 approved by the Board of Directors on November 8, 2017, and paid as from January 24, 2018 (€0.105 per share, for a total of €1,068 million).

Share capital - *€10,167 million*

At December 31, 2017, the share capital of Enel SpA amounted to €10,166,679,946 fully subscribed and paid up, represented by that same number of ordinary shares with a par value of €1.00 each. This figure for Enel SpA share capital is therefore unchanged compared with the €10,166,679,946 of December 31, 2016.

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

Other reserves - *€11,443 million*

Share premium reserve - *€7,496 million*

The share premium reserve as at December 31, 2017 is unchanged compared with the previous year.

Legal reserve - *€2,034 million*

The legal reserve, equal to 20.0% of share capital, is unchanged compared with the previous year.

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

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

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

Other sundry reserves - *€68 million*

Other reserves include €19 million related to the reserve for capital grants, which reflects 50% of the grants received from Italian public entities and EU bodies in application of related laws for new works (pursuant to Article 55 of Presidential Decree 917/1986), which is recognized in equity in order to take advantage of tax deferment benefits. It also includes €29 million in respect of the stock option reserve and €20 million for other reserves.

Reserve from measurement of financial instruments - *€(338) million*

At December 31, 2017, the item was entirely represented by the reserve from measurement of cash flow hedge derivatives with a negative value of €338 million (net of the positive tax effect of €66 million).

Reserve from remeasurement of net employee benefit plan liabilities/(assets) - *€(32) million*

At December 31, 2017, the employee benefit plan reserve amounted to €32 million (net of the positive tax effect of €8 million). The reserve includes actuarial gains and losses recognized directly in equity, as the corridor approach is no longer permitted under the new version of "IAS 19 - Employee benefits".

The table below provides a breakdown of changes in the reserve from measurement of financial instruments and the reserve from measurement of defined benefit plan liabilities/assets in 2016 and 2017.

Millions of euro	at Jan. 1, 2016	Gross gains/(losses) recognized in equity for the year	Gross released to income statement	Taxes	at Dec. 31, 2016	Gross gains/(losses) recognized in equity for the year	Gross released to income statement	Taxes	**at Dec. 31, 2017**
Reserve from measurement of cash flow hedge financial instruments	(277)	(479)	339	41	(376)	(201)	232	7	(338)
Reserve from remeasurement of net employee benefit plan liabilities/(assets)	(16)	(15)	-	4	(27)	(7)	-	2	(32)
Gains/(Losses) recognized directly in equity	**(293)**	**(494)**	**339**	**45**	**(403)**	**(208)**	**232**	**9**	**(370)**

Retained earnings/(Loss carried forward) - *€4,424 million*

For 2017, the item shows a decrease of €110 million, attributable to the resolution of the Shareholders' Meeting of May 4, 2017, which provided for the use of this reserve in the amount of €203 million for the distribution of dividends to shareholders and the allocation to retained earnings of part of the net income for 2016, equal to €93 million.

Net income for the year - *€1,202 million*

Net income for 2017, net of the interim dividend for 2017 of €0,105 per share (for a total of €1,068 million), amounted to €1,202 million.

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

Millions of euro

	at Dec. 31, 2017	Possible uses	Amount available
Share capital	**10,167**		
Capital reserves:			
- share premium reserve	7,496	ABC	7,496
Income reserves:			
- legal reserve	2,034	B	
- reserve pursuant to Law 292/1993	2,215	ABC	2,215
- reserve from measurement of financial instruments	(338)		
- reserve for capital grants	19	ABC	19
- stock option reserve	29	ABC	29 (1) (2)
- reserve from remeasurement of employee benefit plan liabilities	(32)		
- other	20	ABC	20
Retained earnings/(Loss carried forward)	4,424	ABC	4,424
Total	**26,034**		**14,203**
of which amount available for distribution			*14,200*

A: for capital increases.
B: to cover losses.
C: for distribution to shareholders.
(1) Regards lapsed options.
(2) Not distributable in the amount of €3 million regarding options granted by the Parent Company to employees of subsidiaries that have lapsed.

There are no restrictions on the distribution of the reserves pursuant to Article 2426, paragraph 1(5) of the Italian Civil Code since there are no unamortized start-up and expansion costs or research and development costs, or departures pursuant to Article 2423, paragraph 4, of the Italian Civil Code.
Note that, in the three previous years, the available reserve denominated "retained earnings/(loss carried forward) has been used in the amount of €1,862 million for the distribution of dividends to shareholders.

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

22.1 Dividends

The table below shows the dividends paid by the company in 2016 and 2017.

	Amount distributed (in millions of euro)	Net dividend per share (in euro)
Dividends paid in 2016		
Dividends for 2015	1,627	0.16
Interim dividend for 2016 (1)	-	-
Special dividends	-	-
Total dividends paid in 2016	**1,627**	**0.16**
Dividends paid in 2017		
Dividends for 2016	1,830	0.18
Interim dividend 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 per share of €0.09 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 per share of €0.105 for a total of €1,068 million).

The dividend for 2017, equal to €0.237 per share, amounting to a total of €2,410 million (of which €0.105 per share, for a total of €1,068 million, already paid as an interim dividend as from January 24, 2018), has been proposed to and resolved by the Shareholders' Meeting of May 24, 2018, at a single call. These financial statements do not reflect the effects of the distribution of this dividend for 2017 to shareholders, with the exception of liabilities due to shareholders for the 2017 interim dividend approved by the Board of Directors on November 8, 2017, and paid as from January 24, 2018.

22.2 Capital management

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

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

To this end, the company 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	(10,780)	(13,664)	2,884
Net short-term financial position	(2,477)	(207)	(2,270)
Non-current financial receivables and long-term securities	6	32	(26)
Net financial debt	**(13,251)**	**(13,839)**	**588**
Shareholders' equity	**27,236**	**26,916**	**320**
Debt/equity ratio	**(0.49)**	**(0.51)**	**0.02**

23. Borrowings - *€10,780 million, €3,654 million, €5,397 million*

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	10,780	13,664	3,654	973
Short-term borrowings	-	-	5,397	6,184

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

24. Employee benefits - *€273 million*

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

The item includes accruals made to cover post-employment benefits under defined benefit plans and other long-term benefits to which employees are entitled by law, by contract, or under other forms of employee incentive schemes. These obligations, in accordance with IAS 19, were determined using the projected unit credit method.

The following table reports the change during the year in the defined benefit obligation, as well as a reconciliation of the defined benefit obligation with the obligation recognized at December 31, 2017, and December 31, 2016.

Millions of euro	**2017**					2016				
	Pension benefits	Electricity discount	Health insurance	Other benefits	**Total**	Pension benefits	Electricity discount	Health insurance	Other benefits	**Total**
CHANGES IN ACTUARIAL OBLIGATION										
Actuarial obligation at January 1	**222**	**-**	**40**	**24**	**286**	**230**	**-**	**37**	**24**	**291**
Current service cost	-	-	2	20	**22**	-	-	1	14	**15**
Interest expense	3	-	1	-	**4**	5	-	1	-	**6**
Actuarial (gains)/ losses arising from changes in demographic assumptions	-	-	-	-	**-**	1	-	(1)	-	**-**
Actuarial (gains)/losses arising from changes in financial assumptions	(1)	-	-	-	**(1)**	10	-	3	-	**13**
Experience adjustments	2	-	6	-	**8**	1	-	1	-	**2**
Other payments	(25)	-	(2)	(14)	**(41)**	(26)	-	(3)	(15)	**(44)**
Other changes	(1)	-	(2)	(2)	**(5)**	1	-	1	1	**3**
Actuarial obligation at December 31	**200**	**-**	**45**	**28**	**273**	**222**	**-**	**40**	**24**	**286**

Millions of euro

	2017	2016
(Gains)/Losses charged to profit or loss		
Service cost	22	15
Interest expense	4	6
(Gains)/Losses arising from settlements	-	-
Total	**26**	**21**

Millions of euro

	2017	2016
Remeasurement (gains)/losses in OCI		
Actuarial (gains)/losses on defined benefit plans	7	15
Other changes	-	-
Total	**7**	**15**

The current service cost for employee benefits in 2017 amounted to €22 million, recognized under personnel costs (€15 million in 2015), while the interest cost from the accretion of the liability amounted to €4 million (€6 million in 2016).

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

	2017	2016
Discount rate	0.20%-1.50%	0.30%-1.40%
Rate of wage increases	1.50%-3.50%	1.40%-3.40%
Rate of increase in healthcare costs	2.50%	2.40%

The following table reports the outcome of a sensitivity analysis that demonstrates the effects on the liability for healthcare plans as a result of changes reasonably possible at the end of the year in the actuarial assumptions used in estimating the obligation.

Millions of euro

	An increase of 0.5% in discount rate	A decrease of 0.5% in discount rate	An increase of 0.5% in inflation rate	An increase of 0.5% in remuneration	An increase of 0.5% in pensions currently being paid	An increase of 1% in healthcare costs	An increase of 1 year in life expectancy of active and retired employees
Healthcare plans: ASEM	(3)	3	3	-	-	7	-

25. Provisions for risks and charges - *€43 million*

Provisions for risks and charges cover probable potential liabilities that could arise from legal proceedings and other disputes, without considering the effects of rulings that are expected to be in the company's favor and those for which any charge cannot be quantified with reasonable certainty. In determining the balance of the provision, we have taken account of both the charges that are expected to result from court judgments and other dispute settlements for the year and an update of the estimates for positions arising in previous years not related to the transferred business units.

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

Millions of euro		Taken to income statement				
		Accruals	Reversals	Utilization	**Total**	
	at Dec. 31, 2016				**at Dec. 31, 2017**	
						of which current portion
Provision for litigation, risks and other charges:						
- litigation	12	1	(2)	-	11	*7*
- other	28	6	-	(23)	11	*8*
Total	**40**	**7**	**(2)**	**(23)**	**22**	***15***
Provision for early retirement incentives	28	-	-	(4)	21	*2*
TOTAL	**68**	**7**	**(2)**	**(27)**	**43**	***17***

The €1 million decrease in the provision for litigation reflects amounts released to the income statement following the settlement of a number of disputes, which were partially offset by new accruals for pending suits.
The provision covers disputes in Italy and essentially regards labor litigation (€8 million) and litigation concerning tender contracts (€2 million).
The decrease of €17 million in other provisions is the net effect of utilizations and accruals for the year and related to sundry risks.
The decrease of €7 million in the provision for early retirement incentives is essentially attributable to payments in 2017 of voluntary terminations under Article 4 of the Fornero Act, as well as to transfers of personnel from Enel SpA to other companies of the Group, which resulted in the intragroup transfer of the related portions of this provision.

26. Other non-current liabilities - *€12 million*

Other non-current liabilities amounted to €12 million (€36 million at December 31, 2016). They essentially regard the debt towards Group companies that initially arose following Enel SpA's application (submitted in its capacity as the consolidating company) for reimbursement for 2004-2011 of the additional income taxes paid as a result of not deducting part of IRAP in computing taxable income for IRES purposes. The liability in respect of the subsidiaries is balanced by the recognition of non-current tax receivables (note 16). The decrease of €24 million is essentially attributable to the payment to the consolidated companies of the reimbursement of the receivable for 2011 received from the Revenue Agency in 2017. The amount of the liability at December 31, 2017 reflects the updating of the interest accrued on the residual receivable.

27. Trade payables - *€137 million*

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Trade payables:			
- due to third parties	66	83	(17)
- due to Group companies	71	67	4
Total	**137**	**150**	**(13)**

Trade payables mainly include payables for the provision of services and other activities performed in 2017, and comprise payables due to third parties of €66 million (€83 million at December 31, 2016) and payables due to Group companies of €71 million (€67 million at December 31, 2016).
Trade payables due to subsidiaries at December 31, 2017, break down as follows.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Subsidiaries			
Enel Produzione SpA	1	1	-
e-distribuzione SpA	1	-	1
Enel Ingegneria e Ricerca SpA	-	1	(1)
Servizio Elettrico Nazionale SpA	-	1	(1)
Enel Trade SpA	1	1	-
Enel Green Power SpA	1	-	1
Enel Italia Srl	35	41	(6)
Enel Iberia Srl	21	10	11
Enel.Factor SpA	2	1	1
Endesa SA	3	2	1
Enel Russia PJSC	-	3	(3)
Other	6	6	-
Total	**71**	**67**	**4**

Trade payables break down by geographical area as follows.

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Suppliers:			
Italy	99	119	(20)
EU	31	20	11
Non-EU Europe	4	7	(3)
Other	3	4	(1)
Total	**137**	**150**	**(13)**

28. Other current financial liabilities - *€465 million*

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

Millions of euro

	Notes	at Dec. 31, 2017	at Dec. 31, 2016	Change
Deferred financial liabilities	31.2.1	450	501	(51)
Other items	31.2.1	15	49	(34)
Total		**465**	**550**	**(85)**

More specifically, deferred financial liabilities consist of interest expense accrued on financial debt, while the other items essentially include amounts due to Group companies that accrued as of December 31, 2017, but to be settled in the following year, comprising both financial expense on hedge derivatives on commodity exchange rates and interest expense on intercompany current accounts.

29. Net financial position and long-term financial receivables and securities - *€13,251 million*

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

Millions of euro

	Notes	at Dec. 31, 2017	at Dec. 31, 2016	Change
Long-term borrowings	23	10,780	13,664	(2,884)
Short-term borrowings	23	5,397	6,184	(787)
Current portion of long-term borrowings	23	3,654	973	2,681
Non-current financial assets included in debt	15.1	6	32	(26)
Current financial assets included in debt	19.1	4,085	3,912	173
Cash and cash equivalents	21	2,489	3,038	(549)
Total		**13,251**	**13,839**	**(588)**

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at December 31, 2017, reconciled with net financial debt as reported in the Report on operations.

Millions of euro

	at Dec. 31, 2017		at Dec. 31, 2016		Change
		of which with related parties		*of which with related parties*	
Bank and post office deposits	2,489		3,038		(549)
Liquidity	**2,489**		**3,038**		**(549)**
Current financial receivables	**4,085**	*2,011*	**3,912**	*2,894*	**173**
Short-term bank debt	(245)		(810)		565
Short-term portion of long-term bank debt	(3,654)		(973)		(2,681)
Other short-term financial payables	(5,152)	*(4,896)*	(5,374)	*(4,268)*	222
Short-term financial debt	**(9,051)**		**(7,157)**		**(1,894)**
Net short-term financial position	**(2,477)**		**(207)**		**(2,270)**
Long-term bank debt	(1,039)		(50)		(989)
Bonds	(8,541)		(12,414)		3,873
Other long-term debt	(1,200)		(1,200)		-
Long-term borrowings	**(10,780)**		**(13,664)**		**2,884**
Non-current financial position	**(10,780)**		**(13,664)**		**2,884**
NET FINANCIAL POSITION as per CONSOB instructions	**(13,257)**		**(13,871)**		**614**
Long-term financial receivables	**6**	-	**32**	*27*	**(26)**
NET FINANCIAL DEBT	**(13,251)**		**(13,839)**		**588**

30. Other current liabilities - *€2,065 million*

Other current liabilities mainly concern payables due to tax authorities and to the Group companies participating in the consolidated IRES taxation mechanism and the Group VAT system, as well as the liability due to shareholders for the interim dividend for 2017 approved by the Enel SpA Board of Directors on November 8, 2017, and paid as from January 24, 2018 (€1,068 million in 2017 and €915 million in 2016).

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Tax payables	502	184	318
Payables due to Group companies	428	544	(116)
Payables due to employees, recreational/assistance associations	27	30	(3)
Payables due to social security institutions	12	12	-
Payables due to customers for security deposits and reimbursements	2	1	1
Other	1,094	923	171
Total	**2,065**	**1,694**	**371**

Tax payables amounted to €502 million and essentially regard amounts due to tax authorities for consolidated IRES (€405 million) and for Group VAT for the 4th Quarter of 2017 (€90 million). The increase of €318 million compared with the previous year was mainly due to the increase in taxes payable for consolidated IRES (€228 million) and for Group VAT (€90 million).

Payables due to Group companies amounted to €428 million. They essentially consist of €175 million in payables in respect of the IRES liability under the consolidated taxation mechanism (€457 million at December 31, 2016) and €252 million in respect of Group VAT (€86 million at December 31, 2016). The decrease of €116 million reflects developments in the debtor positions noted above.

The item "Other", equal to €1,094 million, includes €1,068 million (€915 million at December 31, 2016) for the liability due to shareholders for the interim dividend to be paid as from January 24, 2018 (€0.105 per share for 2017 and €0.09 per share for 2016).

31. Financial instruments

31.1 Financial assets by category

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

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	31.1.1	**16**	**53**	**7,076**	**7,514**
Financial assets available for sale	31.1.2	**6**	**1**	**-**	**-**
Financial assets at fair value through profit or loss					
Derivative financial assets at FVTPL	33	940	1,691	111	480
Total		**940**	**1,691**	**111**	**480**
Derivative financial assets designated as hedging instruments					
Cash flow hedge derivatives	33	501	751	-	-
Fair value hedge derivatives	33	15	27	-	-
Total		**516**	**778**	**-**	**-**
TOTAL		**1,478**	**2,523**	**7,187**	**7,994**

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

31.1.1 Loans and receivables

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

Millions of euro	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		**-**	**-**	21	**2,489**	**3,038**
Trade receivables		**-**	**-**	17	**237**	**255**
Financial receivables due from Group companies						
Receivables for assumption of share of financial debt	15.1	-	27		-	-
Receivables on intercompany current accounts		-	-	19.1	1,984	2,849
Current portion of receivables for assumption of loans	19.1	-	-		27	45
Other financial receivables		-	-		174	154
Total		**-**	**27**		**2,185**	**3,048**
Financial receivables due from others						
Current portion of long-term financial receivables		-	-		1	1
Cash collateral for margin agreements on OTC derivatives		-	-	19.1	2,074	1,012
Other financial receivables		16	26		90	160
Total		**16**	**26**		**2,165**	**1,173**
TOTAL		**16**	**53**		**7,076**	**7,514**

The primary changes compared with 2016 regarded:

> a decrease in "Cash and cash equivalents" of €549 million, essentially attributable to the redemption and repurchase of a number of bonds, the payment of dividends

for 2016 and to the normal central treasury functions performed by Enel SpA;

- a decrease in "Financial receivables due from Group companies" totaling €863 million, largely reflecting the decrease in receivables on the intercompany current account held with Group companies (€865 million);
- an increase of "Financial receivables due from others" totaling €982 million, mainly as a result of an increase in cash collateral paid to counterparties for OTC derivatives transactions on interest rates and exchange rates (€1,062 million).

31.1.2 Financial assets available for sale

Financial assets available for sale amounted to €6 million (€1 million at December 31, 2016) and are represented by equity investments held by Enel SpA in Empresa Propietaria de la Red SA (€5 million), which was acquired in 2017 following the merger into Enel SpA of Enel South America Srl, and in Emittenti Titoli SpA (€1 million). Both investments are classified as "Equity investments in other entities" and carried at cost.

31.2 Financial liabilities by category

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

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	31.2.1	**10,780**	**13,664**	**9,653**	**7,857**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities at FVTPL	33	943	1,703	176	556
Total		**943**	**1,703**	**176**	**556**
Derivative financial liabilities designated as hedging instruments					
Cash flow hedge derivatives	33	1,327	1,379	-	-
Total		**1,327**	**1,379**	**-**	**-**
TOTAL		**13,050**	**16,746**	**9,829**	**8,413**

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

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

31.2.1 Financial liabilities measured at amortized cost

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

Millions of euro		Non-current			Current	
	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016	Notes	**at Dec. 31, 2017**	at Dec. 31, 2016
Long-term borrowings	23	10,780	13,664		3,654	973
Short-term borrowings		-	-	23	5,397	6,184
Trade payables		-	-	27	137	150
Other current financial liabilities		-	-	28	465	550
Total		**10,780**	**13,664**		**9,653**	**7,857**

Borrowings

Long-term borrowings (including the portion falling due within 12 months) - *€14,434 million*

Long-term borrowings, which refer to bonds, bank borrowings and loans from Group companies, denominated in euros and other currencies, including the portion falling due within 12 months (equal to €3,654 million), amounted to €14,434 million at December 31, 2017.

The following table shows the nominal values, carrying amounts and fair values of long-term borrowings at December 31, 2017, including the portion falling due within 12 months, grouped by type of borrowing and type of interest rate. For listed debt instruments, the fair value is given by official prices. For unlisted debt instruments, fair value is determined using valuation techniques appropriate for each category of financial instrument and the associated market data for the reporting date, including the credit spreads of the Group.

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	Carrying amount
	at Dec. 31, 2017					at Dec. 31, 2016					Change
Bonds:											
- fixed rate	10,447	10,390	3,088	7,302	11,880	11,584	11,502	908	10,594	13,117	(1,112)
- floating rate	1,805	1,805	566	1,239	1,767	1,888	1,885	65	1,820	1,858	(80)
Total	**12,252**	**12,195**	**3,654**	**8,541**	**13,647**	**13,472**	**13,387**	**973**	**12,414**	**14,975**	**(1,192)**
Bank borrowings:											
- fixed rate	-	-	-	-	-	-	-	-	-	-	-
- floating rate	1,039	1,039	-	1,039	1,043	50	50	-	50	50	989
Total	**1,039**	**1,039**	**-**	**1,039**	**1,043**	**50**	**50**	**-**	**50**	**50**	**989**
Loans from Group companies:											
- fixed rate	1,200	1,200	-	1,200	1,540	1,200	1,200	-	1,200	1,575	-
- floating rate	-	-	-	-	-	-	-	-	-	-	-
Total	**1,200**	**1,200**	**-**	**1,200**	**1,540**	**1,200**	**1,200**	**-**	**1,200**	**1,575**	**-**
Total fixed-rate borrowings	**11,647**	**11,590**	**3,088**	**8,502**	**13,420**	**12,784**	**12,702**	**908**	**11,794**	**14,692**	**(1,112)**
Total floating-rate borrowings	**2,844**	**2,844**	**566**	**2,278**	**2,810**	**1,938**	**1,935**	**65**	**1,870**	**1,908**	**909**
TOTAL	**14,491**	**14,434**	**3,654**	**10,780**	**16,230**	**14,722**	**14,637**	**973**	**13,664**	**16,600**	**(203)**

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 Enel SpA holds in its portfolio.

For more details about the maturity analysis of borrowings, please see note 32 "Risk management", while for more about fair value measurement inputs, please see note 34 "Fair value measurement".

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

Long-term borrowings by currency and interest rate

Millions of euro	Carrying amount		Nominal value	Current average nominal interest rate	Current effective interest rate
	at Dec. 31, 2016	**at Dec. 31, 2017**		**at Dec. 31, 2017**	
Euro	**11,113**	**10,939**	**10,961**	**4.6%**	**4.8%**
US dollar	1,168	1,218	1,232	7.7%	8.1%
Pound sterling	2,356	2,277	2,298	6.5%	6.7%
Total non-euro currencies	**3,524**	**3,495**	**3,530**		
TOTAL	**14,637**	**14,434**	**14,491**		

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

Millions of euro	Nominal value	Repayments	New borrowing	Own bonds repurchased	Exchange differences	Nominal value
	at Dec. 31, 2016					**at Dec. 31, 2017**
Bonds	13,472	(974)	-	(19)	(227)	12,252
Bank borrowings	50	-	999	-	(10)	1,039
Loans from Group companies	1,200	-	-	-	-	1,200
Total	**14,722**	**(974)**	**999**	**(19)**	**(237)**	**14,491**

Compared with December 31, 2016, the nominal value of long-term debt decreased by €231 million, reflecting:

- the redemption of the residual portion amounting to €909 million of a bond issued in 2007 in the amount of €1,500 million, which was partially redeemed in 2016;
- the redemption of four tranches of INA and ANIA bonds in the total amount of €65 million;
- the repurchase of €19 million in own unlisted floating-rate bonds of the "Special series of bonds reserved for employees 1994-2019";
- the recognition of exchange gains of €237 million;
- new long-term bank borrowings totaling €999 million.

The table below reports the characteristics of the bank borrowings obtained in 2017.

New borrowings

Type of loan	**Counterparty**	**Issue date**	**Amount financed (millions of euro)**	**Currency**	**Interest rate (%)**	**Type of interest rate**	**Due date**
Bank borrowings	UBI Banca SpA	27.04.2017	150	€	EUR 3M + 37.5 bps	Floating rate	27.04.2020
Bank borrowings	UniCredit SpA	15.06.2017	450	€	EUR 6M + 33.5 bps	Floating rate	15.07.2020
Bank borrowings	UniCredit SpA	10.07.2017	200	€	EUR 6M + 20 bps	Floating rate	26.06.2021
Bank borrowings	Bank of America	10.07.2017	199	USD	Libor 3M + 71.8 bps	Floating rate	12.07.2021
Total			**999**				

In 2017 the following borrowings were obtained:

- a three-year loan from UBI Banca SpA amounting to €150 million;
- an additional drawing of €450 million on the financing obtained from UniCredit SpA the previous year, falling due in 2020 (at December 31, 2016, the line was drawn in the amount of €50 million);
- a new loan from UniCredit SpA amounting to €200 million and falling due in 2021;
- a loan denominated in US dollars from Bank of Ameri-

ca amounting to the equivalent of €199 million at the exchange rate at the time the loan was granted ($227 million) falling due in 2021.

The main long-term borrowings of Enel SpA are governed by covenants that are commonly adopted in international business practice. These borrowings are mainly represented by the bond issues carried out within the framework of the Global/Euro Medium-Term Notes program, issues of subordinated unconvertible hybrid bonds, the Revolving Facility Agreement agreed on December 18, 2017 by Enel SpA and Enel Finance International NV with a pool of banks of up to €10 billion and the loans granted by UniCredit SpA.
The main covenants in respect of the bond issues in the Global/Euro Medium-Term Notes program of Enel SpA 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 eligible green projects) can be summarized as follows:

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

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

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

The main covenants for the Revolving Facility Agreement and the loan agreements between Enel SpA and UniCredit SpA are substantially similar and can be summarized as follows:

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

In 2017, Enel Finance International NV issued a number of bonds guaranteed by Enel SpA on the US market. Their main covenants are the same as those of the bonds issued under the Euro Medium-Term Notes program.
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.
None of the covenants indicated above has been triggered to date.

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

Debt structure after hedging

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

Millions of euro	**at Dec. 31, 2017**					at Dec. 31, 2016				
	Initial debt structure			**Hedged debt**	**Debt structure after hedging**	Initial debt structure			Hedged debt	Debt structure after hedging
	Carrying amount	Nominal amount	%			Carrying amount	Nominal amount	%		
Euro	10,939	10,961	75.6	3,530	14,491	11,113	11,153	75.8	3,569	14,722
US dollar	1,218	1,232	8.5	(1,232)	-	1,168	1,186	8.0	(1,186)	-
Pound sterling	2,277	2,298	15.9	(2,298)	-	2,356	2,383	16.2	(2,383)	-
Total	**14,434**	**14,491**	**100.0**	**-**	**14,491**	**14,637**	**14,722**	**100.0**	**-**	**14,722**

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

Gross long-term debt

%

	at Dec. 31, 2017		at Dec. 31, 2016	
	Before hedging	**After hedging**	Before hedging	After hedging
Floating rate	19.6	24.2	13.2	17.7
Fixed rate	80.4	75.8	86.8	82.3
Total	**100.0**	**100.0**	**100.0**	**100.0**

Short-term borrowings - *€5,397 million*

The following table shows short-term borrowings at December 31, 2017, by nature.

Millions of euro	**at Dec. 31, 2017**	at Dec. 31, 2016	Change
Borrowings from non-Group counterparties			
Bank borrowings	120	808	(688)
Short-term bank borrowings (ordinary current account)	125	1	124
Cash collateral for CSAs on OTC derivatives received	256	1,107	(851)
Total	**501**	**1,916**	**(1,415)**
Borrowings from Group counterparties			
Short-term borrowings from Group companies (on intercompany current account)	4,896	4,268	628
Total	**4,896**	**4,268**	**628**
TOTAL	**5,397**	**6,184**	**(787)**

Short-term borrowings amounted to €5,397 million (€6,184 million in 2016), down €787 million over the previous year, mainly due to:

> the €688 million decrease in liabilities to banks for short-term loans received;

> the €851 million decrease in cash collateral received

from counterparties for transactions in OTC derivatives on interest rates and exchange rates;

> the €628 million increase in "Short-term borrowings from Group companies" attributable to the deterioration in the debtor position on the intercompany current account held with subsidiaries.

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

31.2.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, broken down into non-current (€943 million) and current (€176 million) financial liabilities, refer solely to derivative financial liabilities.

31.2.3 Net gains and losses

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

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**
	Net gains/(losses)		*of which: impairment/reversal of impairment*
Available for sale financial assets	1	6	
Loans and receivables	2	-	*1*
Financial liabilities measured at amortized cost	(546)	(510)	

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

32. Risk management

32.1 Financial risk management objectives and policies

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

The financial risk governance arrangements adopted by Enel establish specific internal committees, composed of top management and chaired by the Chief Executive Officers of the companies involved, which are responsible for policy setting and supervision of risk management, as well as the definition and application of specific policies at the Group and individual Region, Country and Global Business Line levels that establish the roles and responsibilities for risk management, monitoring and control processes, ensuring compliance with the principle of organizational separation of units responsible for operations and those in charge of monitoring and managing risk.

The financial risk governance system also defines a system of operating limits at the Group and individual Region, Country and Global Business Line levels for each risk, which are monitored periodically by risk management units. For the Group, the system of limits constitutes a decision-making tool to achieve its objectives.

32.2 Market risks

Market risk is the risk that the value of financial and non-financial assets or liabilities and the associated expected cash flows could change owing to changes in market prices.

As part of its operations as an industrial holding company, Enel SpA is exposed to different market risks, notably the risk of changes in interest rates and exchange rates.

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

The main financial liabilities held by the company include bonds, bank borrowings, other borrowings, derivatives,

cash collateral for derivatives transactions and trade payables. The main purpose of those financial instruments is to finance the operations of the company.
The main financial assets held by the Group include financial receivables, derivatives, cash collateral for derivatives transactions, cash and short-term deposits and trade receivables.
For more details, please see note 31 "Financial instruments".
The source of exposure to interest rate risk and exchange risk did not change with respect to the previous year.

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

During 2017, no overshoots of the threshold values set by regulators for the activation of clearing obligations (EMIR – European Market Infrastructure Regulation – 648/2012 of the European Parliament) were detected.

The volume of transactions in financial derivatives outstanding at December 31, 2017, is reported below, with specification of the notional amount of each class of instrument.

The notional amount of a derivative contract is the amount on which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euro by multiplying the notional amount by the agreed price).
The notional amounts of derivatives reported here do not represent amounts exchanged between the parties and therefore are not a measure of the company's credit risk exposure.

Interest rate risk

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

Interest rate risk for the company manifests itself as a change in the flows associated with interest payments on floating-rate financial liabilities, a change in financial terms and conditions in negotiating new debt instruments or as an adverse change in the value of financial assets/liabilities measured at fair value, which are typically fixed-rate debt instruments.
Interest rate risk is managed with the dual goals of reducing the amount of debt exposed to interest rate fluctuations and containing the cost of funds, limiting the volatility of results.
This goal is pursued through the strategic diversification of the portfolio of financial liabilities by contract type, maturity and interest rate, and modifying the risk profile of specific exposures using OTC derivatives, mainly interest rate swaps.

The notional amount of outstanding contracts is reported below.

Millions of euro	Notional amount	
	at Dec. 31, 2017	at Dec. 31, 2016
Interest rate derivatives		
Interest rate swaps	20,599	22,377
Total	**20,599**	**22,377**

The term of such contracts does not exceed the maturity of the underlying financial liability, so that any change in the fair value and/or cash flows of such contracts is offset by a corresponding change in the fair value and/or cash flows of the underlying position.
Interest rate swaps normally provide for the periodic exchange of floating-rate interest flows for fixed-rate interest flows, both of which are calculated on the basis of the notional principal amount.

The notional amount of open interest rate swaps at the end of the year was €20,599 million (€22,377 million at December 31, 2016), of which €1,329 million (essentially unchanged on December 31, 2016) in respect of hedges of the company's share of debt, and €9,635 million (€10,524 million at December 31, 2016) in respect of hedges of the debt of Group companies with the market intermediated in the same notional amount with those companies.

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

The amount of floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the income statement (raising borrowing costs) in the event of an increase in market interest rates.
At December 31, 2017, 19.6% of gross long-term financial debt was floating rate (13.2% at December 31, 2016). Taking account of hedges of interest rates considered effective pursuant to the IAS 39, 75.8% of gross long-term financial debt was hedged at December 31, 2017 (82.3% at December 31, 2016). Including derivatives treated as hedges for management purposes but ineligible for hedge accounting, the ratio is essentially unchanged.

Interest rate risk sensitivity analysis

The company analyses the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.
More specifically, sensitivity analysis measures the potential impact of market scenarios on equity, for the cash flow hedge component, and on profit or loss, for the fair value hedge component, for derivatives that are not eligible for hedge accounting and for the portion of gross long-term debt not hedged using derivative financial instruments.
These scenarios are represented by parallel increases and decreases in the yield curve as at the reporting date.
There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

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

Millions of euro

		at Dec. 31, 2017				at Dec. 31, 2016			
		Pre-tax impact on profit or loss		**Pre-tax impact on equity**		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Basis points	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term floating-rate debt in foreign currency	25	9	(9)	-	-	7	(7)	-	-
Change in fair value of derivatives classified as non-hedging instruments	25	6	(6)	-	-	7	(7)	-	-
Change in fair value of derivatives designated as hedging instruments									
Cash flow hedges	25	-	-	11	(11)	-	-	13	(13)
Fair value hedges	25	(2)	2	-	-	(5)	5	-	-

Exchange risk

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

For Enel SpA, the main source of exchange risk is the presence of monetary financial instruments denominated in a currency other than the euro, mainly bonds denominated in foreign currency.
The exposure to exchange risk did not change with respect to the previous year.
For more details, please see note 31 "Financial instruments".

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

Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two amounts (deliverable forwards) or payment of the difference between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards).

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

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

Millions of euro	Notional amount	
	at Dec. 31, 2017	at Dec. 31, 2016
Foreign exchange derivatives		
Currency forwards:	5,410	5,399
- hedging exchange risk on commodities	3,664	4,507
- hedging future cash flows	1,190	196
- other currency forwards	556	696
Cross currency interest rate swaps	15,527	22,668
Total	**20,937**	**28,067**

More specifically, these include:

- currency forward contracts with a total notional amount of €3,664 million (€4,507 million at December 31, 2016), of which €1,832 million to hedge the exchange risk associated with purchases of energy commodities by Group companies, with matching transactions with the market;
- currency forward contracts with a notional amount of €1,190 million (€196 million at December 31, 2016), to hedge the exchange risk associated with other expected cash flows in currencies other than the euro, of which €595 million in market transactions;
- currency forward contracts with a notional amount of €556 million (€696 million at December 31, 2016), to hedge the exchange rate risk on investment spending, of which €278 million in market transactions;
- cross currency interest rate swaps with a notional amount of €15,527 million (€22,668 million at December 31, 2016), to hedge the exchange risk on the debt of Enel SpA or other Group companies denominated in currencies other than the euro.

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

An analysis of the Group's debt shows that 24.4% of gross medium and long-term debt (24.2% at December 31, 2016) is denominated in currencies other than the euro.
Considering exchange rate hedges and the portion of debt in foreign currency that is denominated in the currency of account or the functional currency of the company, the debt is fully hedged using cross currency interest rate swaps.

Exchange risk sensitivity analysis

The company analyses the sensitivity of its exposure by estimating the effects of a change in exchange rates on the portfolio of financial instruments.
More specifically, sensitivity analysis measures the potential impact of market scenarios on equity, for the cash flow hedge component, and on profit or loss, for the fair value hedge component, for derivatives that are not eligible for hedge accounting and for the portion of gross long-term debt not hedged using derivative financial instruments.
These scenarios are represented by the appreciation/depreciation of the euro against all of the foreign currencies compared with the value observed as at the reporting date.
There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.
With all other variables held constant, the profit before tax would be affected as follow.

Millions of euro

		at Dec. 31, 2017				at Dec. 31, 2016			
		Pre-tax impact on profit or loss		Pre-tax impact on equity		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Exchange rate	Appreciation of euro	Depreciation of euro	Appreciation of euro	Depreciation of euro	Appreciation of euro	Depreciation of euro	Appreciation of euro	Depreciation of euro
Change in financial expense on gross long-term floating-rate debt in foreign currency after hedging	10%	-	-	-	-	-	-	-	-
Change in fair value of derivatives classified as non-hedging instruments	10%	5	(6)	-	-	-	-	-	-
Change in fair value of derivatives designated as hedging instruments									
Cash flow hedges	10%	-	-	(431)	526	-	-	(462)	564
Fair value hedges	10%	-	-	-	-	-	-	-	-

32.3 Credit risk

Credit risk is represented by the possibility of a deterioration in the creditworthiness of a counterparty in a financial transaction that could have an adverse impact on the creditor position. The company is exposed to credit risk from its financial activities, including transactions in derivatives (typically on financial or commodity underlyings), deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

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

The company's management of credit risk is based on the selection of counterparties from among leading Italian and international financial institutions with high credit standing considered solvent both by the market and on the basis of internal assessments, diversifying the exposure among them. Credit exposures and associated credit risk are regularly monitored by the departments responsible for monitoring risks under the policies and procedures outlined in the governance rules for managing the Group's risks, which are also designed to ensure prompt identification of possible mitigation actions to be taken.

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

At December 31, 2017, the exposure to credit risk, represented by the carrying amount of financial assets net of related provisions for impairment as well as derivatives with a positive fair value, net of any cash collateral held, amounted to €8,392 million (€9,388 million at December 31, 2016). Of the total, €3,403 million regard receivables in respect of Group companies and €2,489 million regard cash and cash equivalents.

Millions of euro

	at Dec. 31, 2017		at Dec. 31, 2016		Change
		of which Group		*of which Group*	
Non-current financial receivables	-	-	27	*27*	(27)
Other non-current financial assets	5	-	5	-	-
Trade receivables	237	*208*	255	*229*	(18)
Current financial receivables	2,011	*2,011*	2,894	*2,894*	(883)
Other current financial assets	2,339	*174*	1,327	*154*	1,012
Financial derivatives	1,311	*1,010*	1,842	*973*	(531)
Cash and cash equivalents	2,489	-	3,038	-	(549)
Total	**8,392**	***3,403***	**9,388**	***4,277***	**(996)**

32.4 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
The objectives of liquidity risk management policies are:

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

In the short term, liquidity risk is mitigated by maintaining an appropriate level of unconditionally available resources, including cash and short-term deposits, available committed credit lines and a portfolio of highly liquid assets.
In the long term, liquidity risk is mitigated by maintaining a balanced debt maturity profile and diversifying funding sources in terms of instruments, markets/currencies and counterparties.

At December 31, 2017 Enel SpA had a total of about €2,489 million in cash or cash equivalents (€3,038 million at December 31, 2016), and committed lines of credit amounting to €5,800 million (of which none had been drawn) maturing in more than one year (€6,170 million at December 31, 2016).

Maturity analysis

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

Millions of euro	Maturing in				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bonds:					
- fixed rate	2,498	590	1,867	1,999	3,436
- floating rate	500	66	229	235	775
Total	**2,998**	**656**	**2,096**	**2,234**	**4,211**
Bank borrowings:					
- fixed rate	-	-	-	-	-
- floating rate	-	-	-	1,039	-
Total	**-**	**-**	**-**	**1,039**	**-**
Loans from Group companies:					
- fixed rate	-	-	-	-	1,200
- floating rate	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**1,200**
TOTAL	**2,998**	**656**	**2,096**	**3,273**	**5,411**

32.5 Offsetting financial assets and financial liabilities

The following table reports the net financial assets and liabilities. More specifically, it shows that there are no netting arrangements for derivatives in the financial statements since the company does not plan to set-off assets and liabilities. As envisaged by current market regulations and to guarantee transactions involving derivatives, Enel SpA has entered into margin agreements with leading financial institutions that call for the exchange of cash collateral, broken down as shown in the table.

Millions of euro	at Dec. 31, 2017					
	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
				Correlated amounts not set off in the balance sheet		
				(d)(i),(d)(ii)	(d)(iii)	
	Gross amounts of recognized financial assets/ (liabilities)	Gross amounts of recognized financial assets/ (liabilities) set off in the balance sheet	Net amounts of financial assets/ (liabilities) presented in the balance sheet	Financial instruments	Net portion of financial assets/ (liabilities) guaranteed with cash collateral	Net amount of financial assets/ (liabilities)
FINANCIAL ASSETS						
Derivative financial assets:						
- on interest rate risk	420	-	420	-	(46)	374
- on exchange risk	1,147	-	1,147	-	(552)	595
Total derivative financial assets	**1,567**	**-**	**1,567**	**-**	**(598)**	**969**
TOTAL FINANCIAL ASSETS	**1,567**	**-**	**1,567**	**-**	**(598)**	**969**
FINANCIAL LIABILITIES						
Derivative financial liabilities:						
- on interest rate risk	(608)	-	(608)	-	608	-
- on exchange risk	(1,838)	-	(1,838)	-	1,808	(30)
Total derivative financial liabilities	**(2,446)**	**-**	**(2,446)**	**-**	**2,416**	**(30)**
TOTAL FINANCIAL LIABILITIES	**(2,446)**	**-**	**(2,446)**	**-**	**2,416**	**(30)**
TOTAL NET FINANCIAL ASSETS/(LIABILITIES)	**(879)**	**-**	**(879)**	**-**	**1,818**	**939**

33. Derivatives and hedge accounting

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

The notional amount of a derivative contract is the amount on the basis of which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted at the end-year exchange rates provided by the European Central Bank.

Millions of euro	Non-current					Current				
	Notional amount		Fair value			Notional amount		Fair value		
	at Dec. 31, 2017	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	Change	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	Change
Derivatives designated as hedging instruments										
Cash flow hedges:										
- on exchange risk	2,327	2,517	501	751	(250)	-	-	-	-	-
Total cash flow hedges	**2,327**	**2,517**	**501**	**751**	**(250)**	**-**	**-**	**-**	**-**	**-**
Fair value hedges:										
- on interest rate risk	800	800	15	27	(12)	-	-	-	-	-
Total fair value hedges	**800**	**800**	**15**	**27**	**(12)**	**-**	**-**	**-**	**-**	**-**
Derivatives at FVTPL:										
- on interest rate risk	9,586	10,497	405	527	(122)	50	27	1	1	-
- on exchange risk	5,632	7,860	535	1,164	(629)	2,419	3,718	110	479	(369)
Total derivatives at FVTPL	**15,218**	**18,357**	**940**	**1,691**	**(751)**	**2,469**	**3,745**	**111**	**480**	**(369)**
TOTAL DERIVATIVE FINANCIAL ASSETS	**18,345**	**21,674**	**1,456**	**2,469**	**(1,013)**	**2,469**	**3,745**	**111**	**480**	**(369)**

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	Change	**at Dec. 31, 2017**	at Dec. 31, 2016	**at Dec. 31, 2017**	at Dec. 31, 2016	Change
Derivatives designated as hedging instruments										
Cash flow hedges:										
- on interest rate risk	390	390	135	154	(19)	-	-	-	-	-
- on exchange risk	2,501	2,394	1,192	1,225	(33)	-	-	-	-	-
Total cash flow hedges	**2,891**	**2,784**	**1,327**	**1,379**	**(52)**	**-**	**-**	**-**	**-**	**-**
Derivatives at FVTPL:										
- on interest rate risk	9,624	10,535	408	530	(122)	150	127	66	74	(8)
- on exchange risk	5,632	7,860	535	1,173	(638)	2,425	3,718	110	482	(372)
Total derivatives at FVTPL	**15,256**	**18,395**	**943**	**1,703**	**(760)**	**2,575**	**3,845**	**176**	**556**	**(380)**
TOTAL DERIVATIVE FINANCIAL LIABILITIES	**18,147**	**21,179**	**2,270**	**3,082**	**(812)**	**2,575**	**3,845**	**176**	**556**	**(380)**

33.1 Hedge accounting

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

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

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

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

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

> cash flow hedge derivatives in respect of the risk of: i) changes in the cash flows associated with long-term floating-rate debt; ii) changes in the exchange rates associated with long-term debt denominated in a currency other than the currency of account or the functional currency in which the company holding the financial liability operates; iii) changes in the price of fuels, non-energy commodities and services denominated in a foreign currency;

> fair value hedge derivatives involving the hedging of exposures to changes in the fair value of an asset, a liability or a firm commitment attributable to a specific risk;

> derivatives hedging a net investment in a foreign operation (NIFO), involving the hedging of exposures to exchange rate volatility associated with investments in foreign entities.

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

Cash flow hedges

Cash flow hedges are used in order to hedge the company’s exposure to changes in future cash flows that are attributable to a particular risk associated with an asset, a liability or a highly probable transaction that could affect profit or loss. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

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

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

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

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

Fair value hedges

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

Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedge is ineffective or no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

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

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

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

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

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

Hedge relationships by type of risk hedged

33.1.1 Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk of transactions outstanding as at December 31, 2017 and December 31, 2016, broken down by type of hedged item.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
Hedging instrument	**Hedged item**	**at Dec. 31, 2017**		at Dec. 31, 2016	
Interest rate swaps	Floating-rate borrowings	(135)	390	(154)	390
Interest rate swaps	Fixed-rate borrowings	15	800	27	800
Total		**(120)**	**1,190**	**(127)**	**1,190**

The interest rate swaps outstanding at the end of the year and designated as hedging instruments function as a cash flow hedge and fair value hedge for the hedged item. More specifically, fair value hedge derivatives relate to the hedging of the part of the change in the fair value of a hybrid bond issued in September 2013 that is linked to changes in interest rates, hedged in the amount of €800 million, while the cash flow hedge derivatives refer to the hedging of certain floating-rate bonds issued since 2001.

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at December 31, 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
Cash flow hedge derivatives:	**-**	**-**	**-**	**-**	**390**	**390**	**(135)**	**(154)**
- interest rate swaps	-	-	-	-	390	390	(135)	(154)
Fair value hedge derivatives:	**800**	**800**	**15**	**27**	**-**	**-**	**-**	**-**
- interest rate swaps	800	800	15	27	-	-	-	-
Total interest rate derivatives	**800**	**800**	**15**	**27**	**390**	**390**	**(135)**	**(154)**

The notional amount of the interest rate swaps at December 31, 2017 came to €1,190 million (€1,190 million at December 31, 2016) with a corresponding negative fair value of €120 million (negative €127 million at December 31, 2016).

The improvement in the fair value of derivatives compared with the previous year is mainly attributable to the rise in the long-term segment of the yield curve over the course of 2017.

Cash flow hedge derivatives

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

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2017	2018	2019	2020	2021	2022	Beyond
Cash flow hedge derivatives on interest rates:							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	(135)	(15)	(14)	(13)	(13)	(12)	(83)

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

Millions of euro		
	2017	2016
Opening balance at January 1	**(110)**	**(87)**
Changes in fair value recognized in equity (OCI)	-	-
Changes in fair value recognized in profit or loss - recycling	12	(23)
Changes in fair value recognized in profit or loss - ineffective portion	-	-
Closing balance at December 31	**(98)**	**(110)**

Fair value hedge derivatives

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

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2017	2018	2019	2020	2021	2022	Beyond
Fair value hedge derivatives:							
- positive fair value	15	15	33	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

33.1.2 Exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on exchange risk of 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
Hedging instrument	**Hedged item**	**at Dec. 31, 2017**		at Dec. 31, 2016	
Cross currency interest rate swaps (CCIRSs)	Fixed-rate borrowings	(679)	4,639	(474)	4,911
Cross currency interest rate swaps (CCIRSs)	Floating-rate borrowings	(12)	189	-	-
Total		**(691)**	**4,828**	**(474)**	**4,911**

The cross currency interest rate swaps outstanding at the end of the year and designated as hedging instruments function as a cash flow hedge for the hedged item. More specifically, these derivatives hedge fixed-rate bonds denominated in foreign currencies and floating-rate borrowing in US dollars obtained from Bank of America in 2017.

The following table shows the notional amount and the fair value of derivatives on exchange 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
Cash flow hedge derivatives:	**2,327**	**2,517**	**501**	**751**	**2,501**	**2,394**	**(1,192)**	**(1,225)**
- forwards	-	-	-	-	-	-	-	-
- options	-	-	-	-	-	-	-	-
- cross currency interest rate swaps	2,327	2,517	501	751	2,501	2,394	(1,192)	(1,225)
Total foreign exchange derivatives	**2,327**	**2,517**	**501**	**751**	**2,501**	**2,394**	**(1,192)**	**(1,225)**

The notional amount of the cross current interest rate swaps at December 31, 2017 came to €4,828 million (€4,911 million at December 31, 2016) with a corresponding negative fair value of €691 million (a negative €474 million at December 31, 2016).

The change in the value of the notional amount and the associated fair value of derivatives mainly reflects the appreciation of the euro against the pound sterling and the US dollar, as well as a new hedge of exchange rates with a notional amount of €189 million.

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	501	83	85	48	47	46	461
- negative fair value	(1,192)	(69)	(243)	(50)	(85)	(37)	(684)

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

Millions of euro		
	2017	2016
Opening balance at January 1	**(326)**	**(208)**
Changes in fair value recognized in equity (OCI)	-	-
Changes in fair value recognized in profit or loss - recycling	20	(118)
Changes in fair value recognized in profit or loss - ineffective portion	-	-
Closing balance at December 31	**(306)**	**(326)**

33.2 Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 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 on interest rates	**9,635**	**10,524**	**405**	**527**	**9,774**	**10,663**	**(473)**	**(604)**
Interest rate swaps	9,635	10,524	405	527	9,774	10,663	(473)	(604)
Derivatives at FVTPL on exchange rates	**8,052**	**11,577**	**645**	**1,644**	**8,057**	**11,577**	**(645)**	**(1,656)**
Forwards	2,702	2,699	123	158	2,708	2,699	(122)	(158)
Cross currency interest rate swaps	5,350	8,878	522	1,486	5,349	8,878	(523)	(1,498)
Total derivatives at FVTPL	**17,687**	**22,101**	**1,050**	**2,171**	**17,831**	**22,240**	**(1,118)**	**(2,260)**

At December 31, 2017, the notional amount of derivatives at fair value through profit or loss on interest rates and foreign exchange rates came to €35,518 million (€44,341 million at December 31, 2016) corresponding to a negative fair value of €68 million (a negative €89 million at December 31, 2016).

The decrease compared with the previous year in the notional amount of derivatives at fair value through profit or loss reflects €7,045 million from a decline in forex operations and a decrease of €1,778 million in the notional amount of interest rate swaps.

Interest rate swaps at the end of the year refer primarily to hedges of the debt of the Group companies with the market and intermediated in the same notional amount with those companies in the amount of €9,635 million. The overall notional amount shows a decline of €1,778 million on the previous year. More specifically, the decline of €889 million in the notional amount of interest rate swaps with the market is attributable to the closure of pre-hedge interest rate swaps in respect of the issue of a Green Bond of €1,000 million, interest rate swaps reaching their natural expiry date of €27 million, new interest rate swaps of €344 million and the decline of €206 million in the notional amount of amortizing interest rate swaps.

Compared with December 31, 2016, the overall change in the fair value (a positive €9 million) is largely connected with the rise in the long-term segment of the yield curve over the course of the year.

Forward contracts, with a notional amount of €2,702 million (€2,699 million at December 31, 2016), relate mainly to OTC derivatives entered into to mitigate the exchange risk associated with the prices of energy commodities within the provisioning process of Group companies and matched with market transactions. They also hedge the expected cash flows in currencies other than the currency of account connected with the acquisition of non-energy commodities and investment goods in the sectors of renewable energy sector and infrastructure and networks (new generation digital meters) and the expected cash flows in currencies other than the euro connected with operating expenses for the provision of cloud services. The change in the notional amount and the fair value as compared with the previous year is associated with normal operations.

Cross currency interest rate swaps, with a notional amount of €5,350 million (€8,878 million at December 31, 2016), relate to hedges of exchange risk on the debt of the Group companies denominated in currencies other than the euro and matched with market transactions. The decline in the notional amount of cross currency interest rate swaps of €3,528 million is mainly due to the early closure of cross currency interest rate swaps in the amount of €1,660 million in respect of the repurchase by Enel Finance International of its own bonds issued in US dollars and to cross currency interest rate swaps that expired naturally in the amount of €1,423 million. The value also reflects developments in the exchange rate of the euro against the other major currencies.

34. Fair value measurement

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

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

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

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

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

> for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheet after initial recognition, the valuation techniques and inputs used to develop those measurements; and
> for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

For this purpose:

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

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

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

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

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

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

34.1 Assets measured at fair value in the balance sheet

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the balance sheet, the fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro		Non-current assets				Current assets			
	Notes	**Fair value at Dec. 31, 2017**	Level 1	Level 2	Level 3	**Fair value at Dec. 31, 2017**	Level 1	Level 2	Level 3
Derivatives									
Cash flow hedge derivatives:									
- on exchange risk	33	501	-	501	-	-	-	-	-
Total		**501**	**-**	**501**	**-**	**-**	**-**	**-**	**-**
Fair value hedge derivatives:									
- on interest rate risk	33	15	-	15	-	-	-	-	-
Total		**15**	**-**	**15**	**-**	**-**	**-**	**-**	**-**
Fair value through profit or loss:									
- on interest rate risk	33	405	-	405	-	1	-	1	-
- on exchange risk	33	535	-	535	-	110	-	110	-
Total		**940**	**-**	**940**	**-**	**111**	**-**	**111**	**-**
TOTAL		**1,456**	**-**	**1,456**	**-**	**111**	**-**	**111**	**-**

34.2 Liabilities measured at fair value in the balance sheet

The following table reports, for each class of liabilities measured at fair value on a recurring or non-recurring basis in the balance sheet, the fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro		Non-current liabilities				Current liabilities			
	Notes	**Fair value at Dec. 31, 2017**	Level 1	Level 2	Level 3	**Fair value at Dec. 31, 2017**	Level 1	Level 2	Level 3
Derivatives									
Cash flow hedge derivatives:									
- on interest rate risk	33	135	-	135	-	-	-	-	-
- on exchange risk	33	1,192	-	1,192	-	-	-	-	-
Total		**1,327**	**-**	**1,327**	**-**	**-**	**-**	**-**	**-**
Fair value through profit or loss:									
- on interest rate risk	33	408	-	408	-	66	-	66	-
- on exchange risk	33	535	-	535	-	110	-	110	-
Total		**943**	**-**	**943**	**-**	**176**	**-**	**176**	**-**
TOTAL		**2,270**	**-**	**2,270**	**-**	**176**	**-**	**176**	**-**

34.3 Liabilities not measured at fair value in the balance sheet

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

Millions of euro			Liabilities		
	Notes	**Fair value at Dec. 31, 2017**	Level 1	Level 2	Level 3
Bonds:					
- fixed rate	31.2.1	11,880	11,880	-	-
- floating rate	31.2.1	1,767	572	1,195	-
Total		**13,647**	**12,452**	**1,195**	**-**
Bank borrowings:					
- fixed rate		-	-	-	-
- floating rate	31.2.1	1,043	-	1,043	-
Total		**1,043**	**-**	**1,043**	**-**
Loans from Group companies:					
- fixed rate	31.2.1	1,540	-	1,540	-
- floating rate		-	-	-	-
Total		**1,540**	**-**	**1,540**	**-**
TOTAL		**16,230**	**12,452**	**3,778**	**-**

35. Related parties

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

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

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

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

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at 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.

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

Commercial and other relationships

2017

Millions of euro	Receivables	Payables	Costs		Revenue	
			Goods	Services	Goods	Services
	at Dec. 31, 2017	**at Dec. 31, 2017**	**2017**		**2017**	
Subsidiaries						
Codensa SA ESP	-	1	-	-	-	-
Central Geradora Termelétrica Fortaleza SA	1	-	-	-	-	-
Enel Generación Perú SAA	6	-	-	-	-	1
Enel Américas SA	27	-	-	-	-	2
Enel Chile SA	30	-	-	-	-	1
Enel Distribución Perú SAA	6	-	-	-	-	-
Enel Generación Piura SA	1	-	-	-	-	-
Enel Brasil SA	25	-	-	-	-	12
Enel X Srl	2	-	-	-	-	2
Endesa Distribución Eléctrica SL	27	1	-	-	-	6
Endesa Generación SA	10	-	-	1	-	2
Endesa Red SA	1	-	-	-	-	1
Endesa SA	4	3	-	1	-	5
e-distribuţie Banat SA	4	-	-	-	-	1
e-distribuţie Dobrogea SA	4	-	-	-	-	1
e-distribuţie Muntenia SA	7	-	-	-	-	2
e-distribuzione SpA	124	164	-	2	-	34
Enel Distribución Chile SA	1	-	-	-	-	1
Enel Energia SpA	204	-	-	-	-	2
Enel Energie Muntenia SA	1	-	-	-	-	-
Enel Energie SA	1	-	-	-	-	-
Enel Iberia Srl	1	22	-	11	-	1
Enel Green Power SpA	10	1	-	1	-	8
Enel Green Power North America Inc.	1	1	-	-	-	-
Enel Innovation Hubs Srl	-	1	-	-	-	-
Enel Russia PJSC	16	-	-	-	-	8
Enel Produzione SpA	59	97	-	1	-	13
Enel Romania Srl	4	-	-	-	-	1
Enel Italia Srl	30	86	-	66	-	15
Servizio Elettrico Nazionale SpA	158	-	-	-	-	1
Enel Sole Srl	5	8	-	-	-	-
Enel Trade SpA	1	100	-	-	-	1
Enel.Factor SpA	-	3	-	-	-	-
Endesa Energía SA	4	-	-	-	-	3
Energía Nueva Energía Limpia México S de RL de Cv	1	-	-	-	-	-
Gas y Electricidad Generación SAU	3	-	-	-	-	1
OpEn Fiber SpA	1	-	-	-	-	-
RusEnergoSbyt LLC	-	-	-	-	-	1
Slovenské elektrárne AS	17	-	-	-	-	-
Tynemouth Energy Storage Limited	-	1	-	-	-	-
Unión Eléctrica de Canarias Generación SAU	3	-	-	-	-	1
3Sun Srl	-	19	-	-	-	-
Total	**800**	**508**	**-**	**83**	**-**	**127**
Other related parties						
CESI SpA	-	-	-	1	-	-
Enel Cuore Onlus	-	-	-	-	-	1
Eni	-	1	-	-	-	-
GSE	1	1	-	-	-	-
Fondazione Centro Studi Enel	1	-	-	-	-	2
Monte dei Paschi di Siena	-	1	-	-	-	-
Total	**2**	**3**	**-**	**1**	**-**	**3**
TOTAL	**802**	**511**	**-**	**84**	**-**	**130**

2016

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

Financial relationships

2017

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenue	Dividends
	at Dec. 31, 2017			2017		
Subsidiaries						
Concert Srl	-	2	-	-	-	-
Enel Américas SA	-	-	-	-	-	25
Enel Chile SA	-	-	-	-	-	31
e-distribuzione SpA	1,759	-	3,765	33	84	1,448
Enel X Srl	6	-	-	-	-	-
Enel Energia SpA	7	1,007	1,806	-	8	679
Enel Iberia Srl	1	-	-	-	1	677
Enel Finance International NV	756	3,735	28,196	679	1,268	-
Enel Green Power North America Inc.	-	-	46	-	-	-
Enel Green Power SpA	161	4	12,994	57	68	50
Enel Green Power Perú SA	-	-	-	11	6	-
Enel Green Power Development Srl	-	2	-	-	-	-
Enel Investment Holding BV	-	1	-	-	1	-
Enel M@P Srl	3	-	1	-	-	-
Enel Produzione SpA	192	523	2,141	30	75	-
Enel Italia Srl	35	16	123	1	12	23
Servizio Elettrico Nazionale SpA	114	-	1,402	-	7	80
Enel Sole Srl	1	60	277	-	1	15
Enel Trade Romania Srl	-	-	5	-	-	-
Enel Trade SpA	105	761	1,578	97	265	-
Enel Trade d.o.o.	-	-	1	-	-	-
Enel.Factor SpA	18	-	-	-	-	3
Enel Innovation Hubs Srl	-	16	1	-	-	-
Enel.si Srl	8	-	18	-	-	-
Enelpower SpA	-	37	1	-	-	-
Nuove Energie Srl	23	-	87	-	1	-
OpEn Fiber SpA	-	-	300	-	-	-
Enel X Italia SpA	-	2	-	-	-	-
Tynemouth Energy Storage Limited	6	-	10	-	-	-
Total	**3,195**	**6,166**	**52,752**	**908**	**1,797**	**3,031**
Other related parties						
CESI SpA	-	-	-	-	-	1
Total	**-**	**-**	**-**	**-**	**-**	**1**
TOTAL	**3,195**	**6,166**	**52,752**	**908**	**1,797**	**3,032**

2016

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenue	Dividends
	at Dec. 31, 2016			2016		
Subsidiaries						
Concert Srl	-	2	-	-	-	-
e-distribuzione SpA	1,898	13	3,725	13	84	1,610
Enel Energia SpA	6	791	1,733	-	6	358
Enel Iberia Srl	1	1	54	-	1	550
Enel Finance International NV	733	4,407	23,131	178	1,068	-
Enel Green Power Chile Ltda	3	3	-	-	-	-
Enel Green Power International BV	-	-	-	96	18	-
Enel Green Power North America Inc.	-	-	53	-	-	-
Enel Green Power SpA	588	18	10,596	3	33	50
Enel Green Power Perú SA	5	-	-	-	6	-
Enel Ingegneria e Ricerca SpA	24	-	30	-	-	-
Enel Investment Holding BV	-	2	2	-	-	-
Enel M@P Srl	1	-	1	-	-	-
Enel Produzione SpA	636	30	2,412	19	29	304
Enel Italia Srl	94	-	94	-	6	-
Servizio Elettrico Nazionale SpA	334	-	1,701	-	7	-
Enel Sole Srl	1	70	231	-	1	-
Enel Trade Romania Srl	-	-	7	-	-	-
Enel Trade SpA	28	1,369	1,579	208	124	-
Enel Trade d.o.o.	-	-	1	-	-	-
Enel.Factor SpA	91	-	-	2	3	3
Enel Innovation Hubs Srl	-	16	1	-	-	-
Enel.si Srl	14	-	7	-	-	-
Enelpower SpA	-	37	1	-	-	-
Nuove Energie Srl	20	-	86	-	-	-
OpEn Fiber SpA	-	-	123	-	-	-
Enel X Italia SpA	-	2	-	-	-	-
3Sun Srl	28	-	-	2	-	-
Total	**4,505**	**6,761**	**45,568**	**521**	**1,386**	**2,875**
Other related parties						
CESI SpA	-	-	-	-	-	1
Total	**-**	**-**	**-**	**-**	**-**	**1**
TOTAL	**4,505**	**6,761**	**45,568**	**521**	**1,386**	**2,876**

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

Impact on balance sheet

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
		at Dec. 31, 2017			at Dec. 31, 2016	
Assets						
Derivatives - non-current	1,456	912	62.6%	2,469	953	38.6%
Other non-current financial assets	16	-	-	53	27	50.9%
Other non-current assets	148	139	93.9%	188	154	81.9%
Trade receivables	237	228	96.2%	255	248	97.3%
Derivatives - current	111	98	88.3%	480	19	4.0%
Other current financial assets	4,350	2,185	50.2%	4,221	3,048	72.2%
Other current assets	453	435	96.0%	299	261	87.3%
Liabilities						
Long-term borrowings	10,780	1,200	11.1%	13,664	1,200	8.8%
Derivatives - non-current	2,270	28	1.2%	3,082	747	24.2%
Other non-current liabilities	12	9	75.0%	36	33	91.7%
Short-term borrowings	5,397	4,896	90.7%	6,184	4,268	69.0%
Trade payables	137	74	54.0%	150	68	45.3%
Derivatives - current	176	13	7.4%	556	464	83.5%
Other current financial liabilities	465	29	6.2%	550	82	14.9%
Other current liabilities	2,065	428	20.7%	1,694	544	32.1%

Impact on income statement

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
		2017			2016	
Revenue	133	130	97.7%	207	205	99.0%
Services and other operating expenses	359	84	23.4%	335	78	23.3%
Income from equity investments	3,033	3,032	100.0%	2,882	2,876	99.8%
Financial income on derivatives	2,683	1,640	61.1%	2,787	1,239	44.5%
Other financial income	410	157	38.3%	556	147	26.4%
Financial expense on derivatives	2,902	836	28.8%	3,127	467	14.9%
Other financial expense	872	72	8.3%	979	54	5.5%

Impact on cash flows

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
		2017			2016	
Cash flows from operating activities	2,465	(2,838)	-	2,511	(1,173)	-46.7%
Cash flows from investing/disinvesting activities	(48)	(48)	100.0%	(409)	(409)	100.0%
Cash flows from financing activities	(2,966)	1,485	-50.1%	(4,989)	1,455	-29.2%

36. Contractual commitments and guarantees

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Sureties and guarantees given:			
- third parties	36	347	(311)
- subsidiaries	52,752	45,568	7,184
Total	**52,788**	**45,915**	**6,873**

Sureties granted to third parties essentially regard guarantees issued by the Parent Company to INPS for employees participating in the structural staff reduction plan Article 4 of Law 92/2012) as well as a bank surety issued in favor of Banco Centroamericano de Integración Economica (BCIE) of €26 million, acquired following the merger of Enel South America into Enel SpA. The decrease compared with the previous year is due to the agreement that led to the extinguishment of the guarantee issued in the sale of real estate assets (€346 million) with the concomitant issue of a new parent company guarantee on behalf of Enel Italia.

Other sureties and guarantees issued on behalf of subsidiaries include:

> €27,216 million issued on behalf of Enel Finance International securing bonds denominated in dollars, pounds, euros and yen as part of the €35 billion Global Medium-Term Notes program;

> €6,584.92 million issued on behalf of various companies controlled by Enel Green Power, mainly acquired in Group reorganization operations;

> €3,040 million issued to the European Investment Bank (EIB) for loans granted to e-distribuzione, Enel Produzione, Enel Green Power and Enel Sole;

> €1,552 issued to the tax authorities in respect of participation in the Group VAT procedure on behalf of Enel Italia, Enel Innovation Hubs, Enel Trade, Enel Produzione, Enelpower, Servizio Elettrico Nazionale, Nuove Energie, Enel.si, Enel Green Power, Enel Sole, Energy Hydro Piave and Enel X Italia;

> €980 million issued on behalf of Enel Finance International to secure the Euro commercial paper program;

> €1,407 million in favor of Cassa Depositi e Prestiti issued on behalf of e-distribuzione, which received the Enel Grid Efficiency II loan;

> €1,150 million issued by Enel SpA to the Acquirente Unico (Single Buyer) on behalf of Servizio Elettrico Nazionale for obligations under the electricity purchase contract;

> €713 million issued to INPS on behalf of various Group companies whose employees elected to participate in the structural staff reduction plan (Article 4 of Law 92/2012);

> €600 million issued to Terna on behalf of e-distribuzione, Enel Trade, Enel Produzione, Enel Green Power and Enel Energia in respect of agreements for electricity transmission services;

> €331 million issued to Snam Rete Gas on behalf of Enel Trade and Enel.si for gas transport capacity;

> €330 million as counter-guarantees in favor of the banks that guaranteed the Energy Markets Operator (GME) on behalf of Enel Trade and Enel Produzione;

> €50 million issued to RWE Supply & Trading GmbH on behalf of Enel Trade for electricity purchases;

> €50 million issued to E.ON on behalf of Enel Trade for trading on the electricity market;

> €32 million issued to Wingas GmbH & CO.KG on behalf of Enel Trade for the supply of gas;

> €33 million issued on behalf of Enel Italia to Excelsia Nove for the performance of obligations under rental contracts;

> €8,682 million issued to various beneficiaries as part of financial support activities by the Parent Company on behalf of subsidiaries.

Compared with December 31, 2016, the increase in other sureties and guarantees issued on behalf of subsidiaries mainly reflects the issue of bonds. As part of the Enel Group finance strategy and the refinancing strategy for maturing consolidated debt, the Enel Board of Directors approved the issue by December 31, 2018 of one or more bonds to be placed with institutional investors. Enel Finance International launched multiple multi-tranche bond issues in the US and international

markets, with the issues guaranteed by Enel and reserved for institutional investors.
In its capacity as the Parent Company, Enel SpA has also granted letters of patronage to a number of Group companies, essentially for assignments of receivables.

37. Contingent assets and liabilities

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

38. Events after the reporting date

On January 1, 2018 the Global Business Lines and the Global services functions (hereinafter "Global Structures"), i.e. Global Infrastructure & Networks, Global Thermal Generation and Global Procurement, which previously operated in Enel SpA, were transferred to the wholly-owned Italian subsidiaries Enel M@p Srl, Enel Global Thermal Generation Srl and Enel Italia Srl.
The corporate reorganization of the Global Structures gives the Group a uniform organizational and corporate structure in which each Global Structure can seek maximum efficiency and focus more clearly on its activities, within the framework of a "Global Hub" model. In other words, the organizational units can:

> perform their activities in an operating company other than Enel SpA;
> deliver technical services at the global level to Group companies with the context of a uniform business, pursuing effectiveness and efficiency objectives while ensuring legal and accounting clarity;
> seize opportunities to grow their businesses in international markets.

In this context, Enel SpA retains its role as an industrial holding company, focusing its activities on the management and coordination of Group companies; providing strategic policy guidance for operations, remunerated exclusively through dividends from subsidiaries; providing institutional services through its staff functions on behalf of subsidiaries (remunerated through an "institutional services" contract).

On March 8, the subsidiary e-distribuzione SpA was recapitalized through the partial waiver of a financial receivable due from that company on the intercompany current account in the amount of €2,275 million, which was allocated by the latter to a specific available equity reserve.

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

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

Fees paid in 2017 by Enel SpA and its subsidiaries at December 31, 2017 to the audit firm and entities belonging to its network for services are summarized in the following table, pursuant to the provisions of Article 149-*duodecies* of the CONSOB "Issuers Regulation".

Type of service	Entity providing the service	Fees (millions of euro)
Enel SpA		
Auditing	of which:	
	- EY SpA	2.3
	- Entities of Ernst & Young Global Limited network	-
Certification services	of which:	
	- EY SpA	0.7
	- Entities of Ernst & Young Global Limited network	-
Other services	of which:	
	- EY SpA	-
	- Entities of Ernst & Young Global Limited network	-
Total		**3.0**
Enel SpA subsidiaries		
Auditing	of which:	
	- EY SpA	2.8
	- Entities of Ernst & Young Global Limited network	11.6
Certification services	of which:	
	- EY SpA	1.2
	- Entities of Ernst & Young Global Limited network	1.8
Other services	of which:	
	- EY SpA	-
	- Entities of Ernst & Young Global Limited network	0.8
Total		**18.2**
TOTAL		**21.2**