Annual Report
of Enel Finance International N.V.
at December 31, 2017

Contents

Director's report

General information

The Management of the Company hereby presents its financial statements for the financial year ended on 31 December 2017.

Enel Finance International N.V. ("the Company") is a public company with limited liability, where 100% of the shares are held by Enel S.p.A., the ultimate parent company, having its seat in Rome, Italy.

The Company is registered with the trade register of the Dutch chamber of commerce under number 34313428. The Company operates as a financing company for the Enel Group, raising funds through bond issuances, loans and other facilities and on turn lending the funds so raised to the companies belonging to the Enel Group.

Significant events in 2017

Green bond

On January 2017 the Company successfully placed on the European market its first green bond for institutional investors, backed by a guarantee issued by Enel S.p.A. The issue totals 1,250 million euros and provides for repayment in single instalment at maturity on 16 September 2024, as well as the payment of a fixed-rate coupon of 1%, payable annually in arrears in the month of September, as from September 2017. The issue price was set at 99.001% and the effective yield to maturity is equal to 1.137%. The green bond is listed on regulated markets of the Irish and Luxembourg Stock Exchanges and Borsa Italiana.

The net proceeds raised in the issue – carried out under the medium-term note program (EMTN) – will be used to finance the Enel Group's eligible green projects identified and/or to be identified with the Green Bond Principles 2016 published by the International Capital Market Assosiation (ICMA).

Swiss franc-denominated bond

On 3 March 2017 the Company placed swiss franc-denominated bond at a fixed interest rate 0.55% maturing 2024. The issue totaled 225 million.

US dollar-denominated bonds

On 23 May 2017 the Company launched a multi-tranche bond issue offered on the US and international markets for institutional investors for a total of 5 billion US dollars

The transaction is structured in the following tranches:

- 2,000 million USD at a fixed rate of 2.875% maturing in 2022;
- 2,000 million USD at a fixed rate of 3.625% maturing in 2027; and
- 1,000 million USD at a fixed rate of 4.750% maturing in 2047.

On 6 November 2017 the Company placed another multi-tranche bond totaling 3 billion USD

The transaction is structured in the following tranches:

- 1,250 million USD at 2.75% fixed rate maturing in 2023;
- 1,250 million USD at 3.5% fixed rate maturing in 2028;

- an additional 500 million USD of EFI ' s existing 4.750% fixed rate Notes issued in May 2017 maturing in 2047.

Both offerings on the US market of the Company is in line with the financing strategy including the refinancing of its maturing consolidated debt.

Bond repurchase

On 2 August 2017 the Company repurchased in cash the entire 1,750 million USD bond following the exercise of the repurchase option “Redemption at the option of the Issuer (Issuer Call)” provided for in the offer documentation and following the publication of the relevant notice on July 13th, 2017.

The repurchase was being carried out as part of the strategy to optimize the structure of the Company’s liabilities through active management of maturities and of cost of debt.

Revolving Facility Agreement

In December 2017 the Company and Enel S.p.A renegotiated the forward starting revolving credit facility of about Euro 10,000 million with Mediobanca – Banca di Credito Finanziario S.p.A. and a pool of banks leaded by Mediobanca, falling due 2022.

Overview of the Company’s performance and financial position

Analysis of the Company financial position

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Net non-current assets:			
-other non-current financial assets	41	759	(718)
-other non-current financial liabilities	(1,290)	(702)	(588)
Total net non-current assets/ (liabilities)	(1,249)	57	(1,306)
Net current assets:			
-net tax receivable/ (payable)	16	-	16
-other current financial assets	253	547	(294)
-other current activities	-	212	(212)
-other current financial liabilities	(404)	(391)	(13)
-other current liabilities	(4)	(2)	(2)
Total net current assets/ (liabilities)	(139)	366	(505)
Gross capital employed	(1,388)	423	(1,811)
Sundry provisions:			
-deferred tax assets/ (liabilities)	341	293	48
Total provisions	341	293	48
Net Capital Employed	(1,047)	716	(1,763)
Total Shareholders' Equity	1,863	2,006	(143)
Net financial debt	(2,910)	(1,288)	(1,622)

The net non-current assets/ (liabilities) at 31 December 2017 decreased by Euro 1,306 million compared to 31 December 2016 mainly due to the negative change of fair value of derivatives (Euro 1,289 million) and decrease of financial prepaid expences (Euro 17 million).

Net current liabilities totaled Euro 139 million with an increase of Euro 505 million compared to 31 December 2016 mainly due to the decrease of current derivatives fair value (Euro 297 million) and decrease of receivables arose from Enel Green Power International B.V. demerger (Euro 203 million). Interest and other receibavles decreased by Euro 25 million and were partly offset by decrease of interest and other paybles in amount of Euro 6 million.

Net tax receivables/payables totaled to Euro 16 million as the Company became a head of fiscal unity formed with Enel Investmet Holding B.V.

Deferred taxes increased by Euro 48 million reflecting temporary differences in cash flow hedge transaction accrued directly in other comprehensive income.

Net capital employed stood at negative 1,047 million at 31 December 2017, down Euro 1,763 million compared to the same period of 2016. The variation is due to the decrease of the Net Financial Debt (Euro 1,622 million) and decrease of shareholders’ equity (Euro 141 million).

The debt-to-equity ratio at 31 December 2017 came to a negative 156% (negative 64% at 31 December 2016).

Net financial debt

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Long-term debt:			
- bonds	20,683	16,099	4,584
Long-term debt	*20,683*	*16,099*	*4,584*
- loans to Group companies	(20,397)	(19,152)	(1,245)
Long term financial receivables	*(20,397)*	*(19,152)*	*(1,245)*
Net long-term financial debt	286	(3,053)	3,339
Short-term debt/(liquidity):			
- bonds (short-term portion)	1,439	2,058	(620)
- l/t receivables due from Group companies (short-term portion)	(70)	(777)	707
Current amount of long-termt net financial debt	*1,369*	*1,281*	*87*
- commercial paper	980	2,127	(1,147)
- short-term loans from Group companies	4,372	5,070	(699)
Short-term loans	*5,352*	*7,197*	*(1,845)*
- short-term financial receivables due from Group companies	(6,595)	(4,519)	(2,076)
- other sundry receivables	(531)	(7)	(524)
- financial Service Agreement with Enel S.p.A.	(2,480)	(2,096)	(385)
- cash and cash equivalents	(310)	(92)	(219)
Cash and cash equivalents and short-term financial receivables	*(9,916)*	*(6,713)*	*(3,203)*
Net short-term financial debt	(3,195)	1,765	(4,961)
NET FINANCIAL DEBT	(2,910)	(1,288)	(1,622)

Net financial debt amounting to negative Euro 2,910 million at 31 December 2017 showed a sharp decrease (Euro 1,622 million) compared with the corresponding period of last year.

Net long-term financial debt totaled to Euro 286 million, having an increase by Euro 3,339 million mainly as a result of long-term debt (Euro 4,584 million) partly offset by increase of long-term financial receivebles (Euro 1,245 million).

Bonds stood at Euro 20,683 million increased mailby due to new issuance (Euro 8,482 million) and amortised costs (Euro 9 million) partly offset by execution of a make whole option (Euro 1,480 million), reclassification due to at maturity 2017 within the current financial liabilities (Euro 1,439 million), positive foreign exchange effect (Euro 988 million) on the outstanding bonds denominated in non-Euro currencies and.

Long-term financial receivables totals to Euro 20,397 million increased by Euro 1,245 million compared to the same period of 2016 mainly due to loans granted to Group companies (Euro 2,145 million) partly offset by early repayment of loans (Euro 668 million), reclassification of current portion of loans (Euro 71 million) and negative foreign exchange effect (Euro 161 million)

Net short-term financial debt decreased by Euro 4,961 million to negative 3,195 million with the change principally referring to:

- repaymen of commercial papers (Euro 1,147 million)
- repayment of bonds (Euro 1,891 million) and positive foreign exchange valuation (Euro 169 million),

- repayment of current portion of loans (Euro 777 million)
- increase of outstanding amount of revolving lines granted to Group companies (Euro 1,761 million)
- decrease of deposits palced by Group companies (Euro 699 million)
- increase of cash and cash equivalents (Euro 219 million) and cash collaterals (Euro 530 million)

This decrease was partly offset by reclassification to current portion of bonds mentioned above, repayment of current portion of loans (Euro 777 million) and decrease of other receivable (Euro 7 million).

Main Risks and uncertainties

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

Methodology

In order to mitigate its exposure to risks described below, Enel Finance International N.V. conducts specific analysis, monitoring, management and control activities.

The Company adopts governance arrangements been in place within Enel Group, applicable for all wholly owned companies and companies with controlling interest, for managing and controlling financial risks (market, credit and liquidity risks). The Company operates within Treasury Guidelines, which cover financing structure as well as treasury control framework. Main deals devoted to hedging transactions are the subject of Board of Directors consideration and approval.

Current or planned improvements in the risk management system

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

Appetite for significant risks

The company is willing to bear risks that are assessed as moderate or low after mitigation in pursuit of its objectives 1) to perform market financial transactions; 2) to provide intercompany financial services to companies within Enel Group; 3) to concentrate and optimise liquidity at Group level

A key goal of the *funding strategy* is to have a diverse, stable and cost-efficient portfolio. The Company's strategy for funding is derived from moderate risk profile.

The *lending strategy* is based on the nature and duration of the financial needs of the companies within Enel Group, of their financial profile and of the business risk associated to the projects to be financed and to the Country of reference. The company is willing to retain medium level of risk.

Please see "Transactions with related parties" of Financial Statements for better explanation of existed control system.

Liquidity surplus is managed carefully by applying a strict set of criteria to investments, dealings with institutions of high creditworthiness and ensuring exposures to counterparties are appropriately secured. The Company accepts low level of credit risk.

The most significant risks and the risk reduction measures taken

The Company's operations and earining are subject to following risks (aithough not limited to).

The control measures are subsequently defined for each identified risk.

Credit risk

Credit Risk is the risk that the Company will suffer from losses when a counterparty defaults on meeting its obligations on a trade or financial transaction.

The Company has a very low appetite to credit risk. In compliance with counterparty credit risk policy defined at Enel Group level, the Company operates almost entirely in its lending activity with other entities belonging to the Enel Group and therefore the level of credit risk is under close control. All new facilities granted to counterparties are the subject of approval by Boars of Directors. Loan receivables representing the funding needs from the Enel Group are yearly monitored for recoverability, where no indicators exist that could potentially impact the current valuation of these receivables. There are few transactions entered into and by market counterparties with high credit standards as regards financial derivatives intended to hedge currency.

Liquidity risk

Liquidity Risk is the risk that the Company will become unable to settle obligations with immediacy, or will be able to meet them only at uneconomic conditions. The Company does not aim to eliminate this risk as this would significantly impair its ability to achieve its objectives. Instead, the risks are managed to an acceptable level by balancing the maturity profile of all financial assets and liabilities and adequate level of available resources (mainly available committed credit lines).

Please see Risk management section of financial statements for more detailed information about liquidity risk.

Exchange rate

The Company is exposed to exchange rate risk associated with cash flows in respect of financial assets or other items in foreign currencies and debt denominated in currencies other than the functional currency of the Company. The Company is not willing to bear exchange rate risk and mitigates it in compliance with Enel Group's risk management policies, which call for hedging of significant exposures, encountering no difficulties in accessing the derivatives market. The Company does not execute derivative transactions with mere trading purposes.

Interest rate risk

Floating rates

The main source of exposure to interest rate risk is the variability of funding costs, related to uncertainty in interests paid by floating-rate debt. Enel Finance International N.V. manages the risk by reducing the amount of debt exposed to interest rate fluctuations through derivative hedging transactions, curbing borrowing costs over time and limiting the volatility of results.

The Company provided sources of finance within the Group Companies with different maturity than attracts funds. Therefore, the Company may face a risk devoted to (unknown) future prevailing market conditions, meaning that existing cost of funding may occur unfavorable. The Company manages this risk by following Liability Management Strategy restructuring the most expensive debt to reduce average cost.

The Company grants also short-term loans to the Companies within Enel Group. Risk inherited to these transactions is assumed to be affordable and not necessarily desirable to be eliminated.

Fiscal risk

The Company may be subject to unfavourable changes in the respective tax laws and regulations. The financial position of the Company may be adversely affected by new laws, changes in the interpretation of existing laws or tax policy.The Company has a very low appetite to fiscal risk.

Compliance with current legislation and Group procedures

The Company is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies. Identified breaches of compliance will be remedied as soon as practicable. The Company has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.

Compliance with bond and loan agreements

Bonds final terms and loan agreements prescribe a set of covenants which the Company should be compliant with. Any breaches and defaults may have high adverse effect on the Company’s activity.

Enel Finance International N.V. has very low appetite to such risk.

Following table represents the summary of main risks, controls and actions taken to mitigate risks.

The Company assesses the impact of each risk. Current Company’s risk profile coinsides with desired risk profile. The Company is willing to maintaine the same level of risk in the future.

Risk area	Risk component	Source of risk	Risk control	Risk appetite	Risk mitigation	Impact of Company’s results after risk mitigation
financial risks	credit risk	cash surplus placed in deposits; lending and funding activity	- eligibility criteria; - transactions with related parties Policy	low	high credit rating	low
	liquidity risk	- different maturity of funding and lending facilities; - liquidity surplus	- monthly analysis of funding-lending cash flows	medium	-available credit lines; - sufficient level of available cash and cash equivalents; - matching of short-term cash-in and cash-out	low
	exchange rate	- non-Euro denominated facilities	Treasury Guidelines	low	- hedge strategy	null, FX risk exposure is fully covered
	interest rate	- floating rate facilities - future unknown market conditions	Treasury guidelines	- medium - medium	- hedge strategy; - liability mana-gement program	- low; - medium
compliance risks	compliance with current legislation and Group procedures	internal governance and busiess processes; systems	internal control system	nil	permanent improvement of internal control system	low
	fiscal	tax accruals	internal control system	very low	- regular reconciliations with Tax Authorities; - preliminary analysis of significant changes	very low
	compliance with bond and loan agreements	covenants	covenants monitoring	very low	preventive analysis of covenants compliance based of business plan data	very low

Quantification of the impact on the result and financial position if the risks materialize

In 2017 the Company was exposed to exchange risk in relation with non-Euro denominated debt. There was a significant exposure to fluctuation of the Euro against the U.S. dollar, which has recently been subject to market volatility, British pound and Swiss franc.

At 31 December 2017 risk was fully covered by corresponding derivatives.

	al 31.12.2017					
million euro	Gross debt			Derivatives	After risk mitigation	
	Book value	Notional value				
Euro	10,003	10,495	46.2%	12,212	22,707	100.0%
US dollar	8,688	8,755	38.6%	(8,755)	-	0.0%
British pound	2,510	2,536	11.2%	(2,536)	-	0.0%
Swiss franc	687	688	3.0%	(688)	-	0.0%
Japanese yen	233	233	1.0%	(233)	-	0.0%
Total Non-Euro	12,118	12,212	53.8%	(12,212)	-	0.0%
Total	22,121	22,707	100.0%	-	22,707	100.0%

The future significant variations in exchange rates would not materially and adversely affect the Company's financial position.

Please see Risk Management section for sensitivity analysis on exchange rate.

As shown in the table below in 2017 the Company has low exposure to interest rate risk, nevertheless the risk had not be fully eliminated. The Company used derivative instruments aiming at transforming floating rate liabilities into fixed rate liabilities

million euro	31.12.2017			
	Before risk mitigation		After risk mitigation	
Floating rate	450	2.0%	50	0.2%
Fixed rate	22,257	98.0%	22,657	99.8%
Total	22,707	100.0%	22,707	100.0%

The future significant variations in interest rates would not materially and adversely affect the Company's financial position.

Please see Risk Management section for sensitivity analysis on interest rate.

Related Parties

The main activity of Enel Finance International N.V. is to operate as financing company of the Enel Group, raising funds through bonds issuance, loans and other facilities and on turn lending the funds so raised to the companies belonging to Enel Group; all the transactions are part of the ordinary operations of the Company and are settled on the basis of Standard intra-Group contract market prices.

Outlook

The Company should evolve normally during 2018, with the aim to maintain the same funding and lending activities currently ongoing, keeping on supporting Enel Group in its developing and consolidation process.

Board of Directors composition

The Company's organization is characterized by a Board of Directors charged with managing the Company and a Shareholders' Meeting. Supervisory Board and Audit Committee have not been incorporated.

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

The Company is looking for the opportunities to reach diversity in the seats' distribution as referred to in Articles 2:166 and 2:276. In 2017 one of the Board member has resigned and the Company is looking for a suitable solution to reach the diversity in the Board keeping the high level of knowledge and qualification.

Remuneration of Directors is definded in accordance with Remuneration policy of the management board of Enel Finance International N.V., recently amended by the Shareholder (Resolution of the Sole Shareholder 23.01.2017)

The Company's control system

The appropriatness of the administrative and accounting procedures used in the preparation of the financial statements has been verified in the assessment of the internal control system for financial reporting. The assessment of the international control system for financial reporting did not identify any material issues.

16 December 2016 the Company adopted the new Enel Global Compliance Program ("EGCP"), addressed to the foreign subsidiaries of the Enel Group. The aim of EGCP is to reinforce commitement of the Company to the highest ethical, legal and professional standards for enhancing and preserving the reputation as well as the prevention of criminal behaviour abroad, which may lead to a corporate criminal liability to the Company.

Subsequent events

On 16 January 2018 the Company placed its second green bond on the European market, reserved for institutional investors and backed by a guarantee issued by Enel.

The issue amounts to a total of 1,250 million euros and provides for repayment in a single instalment at maturity on 16 September 2026 and the payment of a fixed-rate coupon equal to 1.125%, payable annually in arrears in the month of September as from 2018. The issue price has been set at 99.184% and the effective yield at maturity is equal to 1.225%.

Reporting of non-financial information

Enel Group, in implementation of the new EU (Directive 2014/97/EU) and national legislation that has introduced mandatory of non-financial information as from 2017 financial year for large public-interest entities, has drafted a “Consilodated Non-Financial Statement” that covers the areas provided for in that decree, accompanying the Group’s Sustainability Report.

Report can be obtained from the investor relations section of Enel S.p.A. official website (http://www.enel.com).

Personnel

At 31 December 2017 the Company employs eleven people (ten people at 31 December 2016).

Statement of the Board of Directors

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

To our knowledge,

> the financial statements give a true and fair view of the assets, liabilities, financial position and result of Enel Finance International N.V.;

> the Director’s Report gives a true and fair view of the Company’s position as per 31 December 2017 and the developments during the financial year 2017;

> the Director’s Report describes the principal risks the Company is facing.

This annual report is prepared according to International Financial Reporting Standards as adopted by the European Union (“IFRS-EU”) and it is externally fully audited by Ernst & Young Accountants LLP. Furthermore this annual report complies with the EU Transparency Directive enacted in the Netherlands in 2008 and subsequently came into force as from 1 January 2009. The Company’s main obligations under the aforementioned Transparency Directive can be summarized as follows:

> filing its approved annual financial statements electronically with the AFM (Autoriteit Financiele Markten) in the Netherlands within five days after their approval;

> making its annual financial report generally available to the public by posting it on Enel S.p.A. official website within 4 months after the end of the 2017 fiscal year (by 30 April 2018);

> making its annual financial report generally available to the public by issuing an information notice on a financial newspaper or on a financial system at European level within 4 months after the end of the 2017 fiscal year (by 30 April 2018).

Amsterdam, 30 April 2018

A.J.M. Nieuwenhuizen
H. Marseille
E. Di Giacomo
A. Canta

Financial statements

for the year ended 31 December 2017
prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Statement of comprehensive income

Millions of euro	Note	2017	2016
Costs			
Services	1	(3)	(3)
Personnel	1	(1)	(1)
	(Subtotal)	(4)	(4)
Operating income		(4)	(4)
Financial income			
Financial income other that from derivatives	2	2,473	1,694
Financial income from derivatives	3	1,155	491
	(Subtotal)	3,628	2,185
Financial expense			
Financial expense other that from derivatives	2	(1,728)	(1,267)
Financial expense from derivative	3	(2,002)	(854)
	(Subtotal)	(3,730)	(2,121)
Net financial income / (expense)		(102)	64
Income/(Loss) before taxes		(106)	60
Income Taxes	4	(10)	15
Net income/(loss) for the year (attributable to the shareholder)		(96)	45
Other components of comprehensive income recyclable to profit or loss in future periods:			
- Effective portion of change in the fair value of cash flow hedges net of deferred taxes		(47)	(509)
Total comprehensive income/(loss) for the period		(143)	(464)

Statement of financial position

Millions of Euro	Note		
ASSETS		at Dec. 31, 2017	at Dec. 31, 2016
Non-current assets			
Deferred tax assets	5	341	293
Long-term loans and financial receivables	6	20,397	19,152
Derivatives	7	28	729
Other non-current financial assets	8	13	31
	(Subtotal)	20,779	20,205
Current assets			
Income tax receivable		16	-
Current portion of long-term loans and financial receivables	6	70	777
Short-term loans and financial receivables	9	9,076	6,617
Derivatives	7	79	357
Other current financial assets	10	705	189
Other current assets	11	-	220
Cash and cash equivalents	12	310	92
	(Subtotal)	10,256	8,252
TOTAL ASSETS		31,035	28,457
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	13	1,479	1,479
Merger reserve	13	1,026	1,026
Cash flow hedge reserve	13	(924)	(877)
Retained earnings	13	378	333
Net income for the period	13	(96)	45
Total shareholder's equity		1,863	2,006
Non-current liabilities			
Long-term loans and borrowings	14	20,683	16,099
Derivatives	7	1,290	702
	(Subtotal)	21,973	16,801
Current liabilities			
Current portion of long-term loans	14	1,439	2,058
Short-term loans and borrowings	15	5,352	7,197
Derivatives	7	36	17
Other current financial liabilities	16	368	375
Other current liabilities		4	3
	(Subtotal)	7,199	9,650
TOTAL EQUITY AND LIABILITIES		31,035	28,457

Statement of changes in equity

Millions of euro

	Share capital	Share premium reserve	Cash flow hedge reserve	Retained earnings	Net income for the period	Equity attributable to the shareholders
At January 1, 2016	1,479	43	(368)	302	31	1,487
Allocation of net income from the previous year	-	-	-	31	(31)	-
Effect of the demerger		983				983
Comprehensive income for the year:	-	-	(509)	-		(509)
of which:						
- other comprehensive income (loss) for the period	-	-	*(509)*	-		*(509)*
- net income for period	-	-	-	-	*45*	*45*
At 31 December 2016	1,479	1,026	(877)	333	45	2,006
Allocation of net income from the previous year	-	-	-	45	(45)	-
Comprehensive income for the year:	-	-	(47)	-		(47)
of which:						
- other comprehensive income (loss) for the period	-	-	*(47)*	-		*(47)*
- net income for period	-	-	-	-	*(96)*	*(96)*
At December 31, 2017	1,479	1,026	(924)	378	(96)	1,863

Statement of cash flows

Millions of euro	Note	2017	2016
Income for the period		(96)	45
Adjustments for:			
Financial (income)	2,3	(3,628)	(2,185)
Financial expense	2,3	3,730	2,121
Income taxes	4	(10)	15
Cash flow from operating activities before changes in net current assets		*(4)*	*(4)*
(Increase)/Decrease in financial and non-financial assets/liabilities		1,045	(26)
Interest income and other financial income collected		803	1,347
Interest expense and other financial expense paid		(1,344)	(1,372)
Income taxes paid		(16)	(16)
Cash flows from operating activities (a)		484	(71)
New loans granted to Enel S.p.A. and affiliates		*(6,602)*	*(2,916)*
Repayments and other movements from Enel S.p.A. and affiliates		*3,202*	*2,600*
Cash flows from investing/disinvesting activities (b)		(3,400)	(316)
Financial debt (new borrowings)	14, 15	8,482	2,745
Financial debt (repayments and other changes)		(5,348)	(2,867)
Cash flows from financing activities (c)		3,134	(122)
Increase/(Decrease) in cash and cash equivalents (a+b+c)		218	(509)
Cash and cash equivalents at the beginning of the year		92	601
Cash and cash equivalents at the end of the year		310	92

Notes to the financial statements

Form and content of the financial statement

Enel Finance International N.V. (“the Company”) is as a limited liability company under the laws of the Netherlands on 26 September 2008. The Company is registered with the trade register of the Dutch chamber of commerce under number 34313428 with business address at Herengracht 471, 1017 BS Amsterdam, the Netherlands. The Company is established for an indefinite duration.

The Company is a public company with limited liability, where 100% of the shares are held by Enel S.p.A., the ultimate parent company, having its seat in Rome, Italy.

Company’s financial statements are included into the consolidated financial statements of Enel S.p.A., which can be obtained from the investor relations section of Enel S.p.A. official website (http://www.enel.com).

Corporate purpose

The Company operates as a financing company for the Group, raising funds through bond issuances, loans and other facilities and on turn lending the funds so raised to the companies belonging to the Enel Group. The Company is also part of the centralising financial process and acts as the primary reference for the management of financial needs or liquidity generated by the Enel Group companies.

The Company acts solely as a financing company for Enel Group and therefore is not engaged in market competition in the energy sector with third parties.

The Company is managed by a management board composed of five members, appointed by the general meeting of shareholders, which may dismiss them at any time. The management board has the power to perform all acts of administration and disposition in compliance with the corporate objects of the Company.

The joint signatures of any two members of the management board or the single signature of any person to whom such signatory shall have been appointed by the management board may bind the Company.

Compliance with IFRS/IAS

The financial statements for the year ended 31 December 2017 have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS) issued by International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 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 the statutory provisions of the Netherlands Civil Code, Book 2, Title 9.

These financial statements were approved by the Board of Directors and authorised for issue effective on 30 April 2018

Basis of presentation

The financial statements consist of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes.

The financial statements have been prepared on the historical costs basis except for the following material items:

> Derivative financial instruments, valued at fair value;

> Loans and receivable and financial liabilities recognized at amortized cost.

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

The income statement is classified on the basis of the nature of expenses, while the indirect method is used for the cash flow statement.

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Functional and presentation currency

The financial statements are presented in euro, the functional currency of Enel Finance International N.V. All figures are shown in millions of euro unless stated otherwise.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Going Concern

Enel S.p.A. has provided financial support to the Company should it not be able to meet its obligations. This intent has been formally confirmed by Enel S.p.A. in a support letter issued on 17 January 2018 and valid until next year's approval date of the Financial Statements should the company remain under control of the Enel Group. Based upon this comfort letter received by the parent company, Company's management has prepared the financial statements on the basis of a positive going concern assumption.

Solvency

Given the objectives of the company, the Company is strictly economically interrelated with Enel S.p.A. In assessing the solvency as well as the general risk profile of the Company, the solvency of the Enel Group as a whole, headed by Enel S.p.A. should be considered.

Accounting policies and measurement criteria

Use of estimates

Preparing the financial statements under IFRS-EU requires the use of estimates and assumptions that affect the carrying amount of assets and liabilities and the related information on the items involved, as well as the disclosure required for contingent assets and liabilities at the balance sheet date. The estimates and the related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected in the income statement if they only involve that period. If the revision involves both the current and future periods, the change is recognized in the period in which the revision is made and in the related future periods. Estimates were used only with regard to the valuation of financial instruments and recoverability of receivables. These estimates and assumptions are discussed in the note on the accounting policies adopted.

Related parties

Transaction with related parties

The Company is subject to transactions with related parties, and adopted the policy defined by the Parent Company Enel S.p.A.

According to this policy, the Board of Directors of Enel S.p.A. adopted regulations that establish the procedures for approving and carrying out transactions undertaken by Enel S.p.A. or its subsidiaries with related parties, in order to ensure the transparency and correctness, both substantial and procedural, of the transactions. According to these regulations, the Internal Control Committee of Enel S.p.A. is entrusted with the prior examination of the transactions with related parties, with the exception of those that present a low level of risk for Enel S.p.A. and the Enel Group.

After the Internal Control Committee has completed its examination, the Board of Directors gives its prior approval (if the transactions regard the Enel S.p.A.) or prior evaluation (if the transactions regard Group companies) of the most significant transactions with related parties, by which is meant (i) atypical or unusual transactions; (ii) transactions with a value exceeding Euro 25 million (with the exception of the previously mentioned ones that present a low level of risk for Enel S.p.A. and the Group); and (iii) other transactions that the Internal Control Committee thinks should be examined by the Board of Directors.

All transactions with related parties were carried out on normal market terms and conditions.

Translation of foreign currencies

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance sheet exchange rate.

Non-monetary assets and liabilities in foreign currency stated at historic cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in foreign currency stated at fair value are translated using the exchange rate prevailing on the date when that value was determined.

Any exchange rate differences are recognized in profit or loss.

Loans and receivables

This category includes non-derivative financial and trade receivables, including debt securities, with fixed or determinable payments that are not quoted on an active market that the entity does not originally intend to sell. Such assets are initially recognized at fair value, adjusted for any transaction costs, and subsequently measured at amortized cost using the effective interest method, net of any impairment losses. Such impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted using the original effective interest rate.

Trade receivables falling due in line with generally accepted trade terms are not discounted.

Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, clear successfully and do not incur collection costs.

Financial liabilities

Financial liabilities other than derivatives are recognized at the settlement date when the company becomes a party to the contractual clauses representing the instrument and are initially measured at fair value, less directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method.

Derivative financial instruments

Derivatives are recognized at fair value and are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge (assessed periodically) meets the thresholds envisaged under IAS 39.

The manner in which the result of measurement at fair value is recognized depends on the type of hedge accounting adopted.

When derivatives are used to hedge the risk of changes in the cash flows generated by the hedged items (cash flow hedges), changes in fair value are initially recognized in equity, in the amount qualifying as effective, and subsequently released to profit or loss in line with the gains and losses on the hedged item. The ineffective portion of the fair value of the hedging instrument is taken to profit or loss.

Changes in the fair value of trading derivatives and those that no longer qualify for hedge accounting under IAS 39 are recognized in the income statement. Trading derivatives are not held for trading but commonly used name for foreign exchange transactions. Derivative financial instruments are recognized at the trade date. Financial and non-financial contracts (that are not already measured at fair value) are analyzed to identify any embedded derivatives, which must be separated and measured at fair value. This analysis is conducted at the time the entity becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows.

Fair value is determined using the official prices for instruments traded on regulated markets. For instruments not traded on regulated markets fair value is determined on the basis of the present value of expected cash flows using the market yield curve at the reporting date and translating amounts in currencies other than the euro at end-year exchange rates.

According to the International Accounting Standards, the Company measures the credit risk both of the counterparty (Credit Valuation Adjustment or CVA) and of its non-performance credit risk (Debit Valuation Adjustment or DVA), in order to make the adjustment of the fair value of derivative financial instruments for the corresponding value of counterparty risk.

In particular, the Company measures the CVA/DVA based on the net exposure and, subsequently, allocating the adjustment on each financial instrument that constitutes the portfolio.

In order to measure the CVA / DVA, the Company uses a valuation technique based on the Potential Future Exposure, whose inputs are observable on the market.

Derecognition of financial assets and liabilities

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

- the contractual right to receive the cash flows associated with the asset expire;

- the company has transferred substantially all the risks and rewards associated with assets. Transferring its right to receive the cash flows of the assets of assuming a contractual obligation to pay such cash flows to one or more beneficiaries under a contract that meets the requirements established by IAS 39 (the “pass through test”)

- the Company has not transferred or retained substantially all the risks and rewards associated with the assets but has transferred control over assets..

Financial liabilities are derecognized when they are extinguished or the company transfers all the risks and benefits associated with the instrument.

Fair value hierarchy pursuant to IFRS 13

Assets and liabilities measured at fair value are classified in a three-level hierarchy as described below, in consideration of the inputs used to determine such fair value.

In particular:

> Level 1 includes financial assets or liabilities measured at fair value on the basis of quoted prices in active markets for such instruments (unadjusted);

> Level 2 includes financial assets/liabilities measured at fair value on the basis of inputs other than those included in Level 1 that are observable either directly or indirectly on the market;

> Level 3 includes financial assets/liabilities whose fair value was calculated using inputs not based on observable market data.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Financial income and expense

Financial income and expense is recognized on an accruals basis in line with interest accrued on the net carrying amount of the related financial assets and liabilities using the effective interest method. They include the changes in the fair value of financial instruments recognized at fair value through profit or loss and changes in the fair value of derivatives connected with financial transactions.

Dividends

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

Income taxes

Income tax expense comprises current and deferred tax.

Corporate income tax is calculated on the basis of the profit before taxation shown in the Profit and Loss Account, taking into account tax allowances and tax adjustments. As of 1 January 2015, the Company forms part of a fiscal unity with Enel Investment Holding B.V, whereby the Company is the head of the fiscal unity. The Company is jointly and severally liable for all corporate income tax liabilities of the fiscal unity. Taxation for entities within the fiscal unity is calculated on a stand-alone basis and, if required, is settled through a current account with Enel Investment Holding B.V.

Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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

Deferred tax assets are recognized when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.

The recoverability of deferred tax assets is reviewed at each year-end. Taxes in respect of components recognized directly in equity are taken directly to equity.

Recently issued accounting standards

New accounting standards applied in 2017

The Company has applied the following interpretation and amendments that took effect as from January 1, 2017:

- “Amendments to IAS 7: Disclosure Initiative”, issued in January 2016. The amendments apply to the liabilities and assets arising from financing activities, defined as those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as “cash flows from financing activities”. The amendments require a disclosure of changes in these items, including changes arising from cash flows and non-cash changes (i.e. changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, and changes in fair values). The application of these amendments implied an integration in the disclosures that has been implemented in this financial statements through a reconciliation between its opening and closing balances for liabilities and assets arising from its financing activities.
- “Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses”, issued in January 2016; the amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. In particular these amendments clarify the requirements on the recognition of deferred tax assets for unrealised losses in order to address diversity in practice. The application of these amendments did not have an impact in the financial statements.

Forthcoming accounting standards

Below is a list of accounting standards, amendments and interpretations that will be effective for the the Company after 31 December 2017:

- “IFRS 9 – Financial instruments”, issued, in its final version, on 24 July 2014, replaces current IAS 39 *Financial Instruments: Recognition and Measurement* and overcome all the previous version. The standard is effective for annual periods beginning on or after 1 January 2018 and the early adoption is allowed.

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

About the classification of financial instruments, IFRS 9 provides one classification approach for all types of financial assets, including those that contain embedded derivative features, therefore, financial assets are classified in their entirety rather than being subject to complex bifurcation requirements.

In order to define how financial assets shall be classified and measured, the entity’s business model for managing the financial assets and their contractual cash flow characteristics shall be considered. For this purpose, a business model refers to how an entity manages its financial assets in order to generate cash flows that is by collecting contractual cash flows, selling financial assets or both.

Financial assets at amortised cost are held in a business model whose objective is to hold assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. This measurement category results in amortised cost information being provided in profit or loss and fair value information in the balance sheet.

Financial assets at fair value through profit or loss are any financial assets that are not held in one of the two business models mentioned above, including financial assets that are held for trading and those managed on a fair value basis.

About classification and measurement of financial liabilities, IFRS 9 carries forward IAS 39's accounting treatment provisions with limited amendments. This means that most financial liabilities will continue to be measured at amortised cost; moreover, the option to elect a financial liabilities at fair value through profit or loss, when specific circumstances are met, is still allowed.

The standard introduces new requirements for financial liabilities elected at fair value through profit or loss, according to which changes in the fair value of an entity's own debt shall be recognised in other comprehensive income rather than in profit or loss. Such requirement is readily available for the adoption without applying IFRS 9 in its entirety.

Considering that, during the financial crisis, the existing impairment model based on the incurred credit losses had shown great limitations connected to the delay of the recognition of credit losses until there is evidence of a trigger event, the standard provides a new impairment model providing users of financial statements with more useful information about an entity's expected credit losses.

In substance, the model provides:

a) the application of a unique approach to all financial assets;

b) the recognition of the expected credit losses at all times and the updating of their amount at the end of each reporting period to reflect changes in the credit risk of financial instruments;

c) the measurement of the expected credit losses based on the reasonable and supportable information that is available without undue cost or effort, including historical, current and forecast information;

d) improved disclosures on expected credit losses and on credit risk.

IFRS 9 introduces also a new model of hedge accounting, with the aim to align the accounting more closely with risk management activities and to establish a more principles-based approach.

The new approach to hedge accounting will enable companies to better reflect their risk management activities in the financial statements, allowing more items to be eligible as hedged items: risk component of a non-financial item, net positions, layer components of items and aggregated exposures (i.e. a combination of a non-derivative exposure and a derivative). About hedging instruments, the most significant change, compared to hedge accounting under IAS 39, is the possibility to defer the time value of options, the forward element in forward contracts and currency basis spreads (i.e. "costs of hedging") in other comprehensive income until the hedged item affects profit or loss. IFRS 9 also removes the requirement for hedge effectiveness tests to be within the range of 80%-125% and provides the possibility to rebalance the hedging relationship if the risk management objective remains unchanged.

IFRS 9 does not replace the provisions of IAS 39 about the portfolio fair value hedge accounting on interest rate risk (i.e. macro hedge accounting), as such phase of the project to replace IAS 39 has been separated and still under discussion. At this regard, in April 2014, the IASB issued the Discussion Paper *Accounting for Dynamic Risk management: a Portfolio Revaluation Approach to Macro Hedging*.

The Company plans to adopt the new standard on the required effective date prospectively. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9.

(a) Classification and measurement: an assessment was conducted of the procedures for classifying financial instruments under IAS 39 compared with the new policies for under IFRS 9 (i.e. SPPI test and business model)

The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment: an analysis was concocted of financial assets with focus on loans granted to Enel Group entities, which represent the majority of the Company's credit exposure. The assessment was performed on individual basis. The Company will record expected credit losses on all of its debt securities and loans on a 12-month basis.

(c) Hedge accounting: specific activities were performed to implement the new hedge accounting model, including effectiveness testing and rebalancing hedge relationship and analysis of the new strategies that can be applied under IFRS 9.

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

The Company is still evaluating the assumptions of expected credit loss model and the adoption of IFRS 9 as from 1 January 2018 will possibly produce an decrease on Company's equity in amount of Euro 92 million.

- "IFRS 15 – Revenue from contracts with customers", issued in May 2014, including "Amendments to IFRS 15: effective date of IFRS 15", issued in September 2015. The new standard will replace "IAS 11 - Construction contracts", "IAS 18 - Revenue", "IFRIC 13 - Customer Loyalty programmes", "IFRIC 15 - Agreements for the construction of real estate", "IFRIC 18 -Transfers of assets from customers", "SIC 31 Revenue – Barter transactions involving advertising services" and it will apply to all contracts with customers, expect for some scope exemptions (e.g., lease and insurance contracts, financial instruments, etc.). The new standard establishes a comprehensive framework for revenue recognition and measurement based on the following core principle: recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. This core principle will apply using a five-step model: identify the contract with the customer (step 1); identify the performance obligations in the contract, accounting for distinct goods or services promised in the contract as separate performance obligations (step 2); determine the transaction price, that is the amount of consideration to which it expects to be entitled (step 3); allocate the transaction price to each separate performance obligation on the basis of the relative stand-alone selling price of each distinct good or service promised in the contract (step 4); recognise revenue when (or as) each performance obligation is satisfied by transferring the promised good or service to the customer, which is when the customer obtains control of the good or service (step 5). IFRS 15 also includes a set of disclosure requirements that would provide a comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard will take effect for annual period beginning on or after January,1 2018.

- “Clarifications to IFRS 15 *Revenue from contracts with customers”*, issued in April 2016, provide amendments in the Standard in order to propose some clarifications with respect to practical expedients and some topics discussed by the joint Transition Resource Group created by IASB and FASB. The objective of these amendments is to clarify the requirements of IFRS 15 but not to change the underlying principles of the Standard.

The standard will take effect for annual period beginning on or after 1 January 2018. Overall, the Company expects no significant impact on its statement of financial position and statement of comprehensive income.

- “Amendments to IFRS 9: *Prepayment features with negative compendation”,* issued in October 2017. The Amendments introduce a narrow exception to IFRS 9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. Specifically, the Amendments provide that financial assets with contractual term that permits (or requires) the issuer to prepay a debt instrument or permits (or requires) the holder to put a debt instrument back to the issuer before maturity are eligible to be measured at amortised cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held, if the following conditions are met:

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

- The Basis of Conclusions of IFRS 9 have been also “expanded” by such Amendments as in 2017 the IASB discussed the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in derecognition of the financial liability concluding that the requirements in IFRS 9 for adjusting the amortised cost of a financial liability when a modification (or exchange) does not result in the derecognition of the financial liability are consistent with the relevant requirements for modification of a financial asset that does not result in the derecognition of the financial asset. The amendments will take effect, subject to endorsement, for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The adoption as from 1 January 2018 is expected to produce an increase on Company’s equity mainly due to the recalculation of exchange of bonds made in 2015 and 2016. The Company is evaluating the further impact during 2018.

- “IFRIC 22 - Foreign currency transactions and advance consideration”, issued in December 2016; the interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation will take effect, subject to endorsement, for annual period beginning on or after January, 1 2018. The Company is assessing the potential impact of the future application of the new provisions.

- IFRIC 23 – *Uncertainty over Income Tax Treatments*", issued in June 2017; the interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The uncertainty over income tax treatments may affect both current and deferred tax. The threshold for reflecting the effects of uncertainty is whether it is probable that the taxation authority will accept or not an uncertain tax treatment assuming that the taxation authority will examine amounts it has a right to examine and have full knowledge of all related information. The interpretation also requires an entity to reassess any judgments and estimates made if a change in facts and circumstances might change an entity's conclusions about the acceptability of a tax treatment or the entity's estimate of the effect of uncertainty, or both. The interpretation will take effect, subject to endorsement, for annual period beginning on or after 1 January 2019. The Company is assessing the potential impact of the future application of the new provisions.

Risk management

Market risk

Enel Finance International N.V., acting as a financial intermediary, provides the necessary resources to foreign operating Entities of the Group; the funding activity comprises direct access to the international capital markets. Therefore, Enel Finance International N.V. is exposed to interest rate and exchange rates risks, due to its net financial position.

In order to hedge these exposures, the Company employs financial derivative instruments such as interest rate swaps, currency forwards and cross currency interest rate swaps, that are negotiated both with Enel S.p.A. and on the market.

The fair value of a financial derivative is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts.

The fair value of listed instruments is the market price at 31 December 2017. The fair value of over the counter (OTC) instruments is calculated with standard pricing models for each instrument typology. The expected future cash flows are discounted with market interest rate curves, while foreign currency amounts are converted to Euro using the official European Central Bank exchange rates at 31 December 2017.

Moreover, according to the International Accounting Standards, the Company measures the credit risk both of the counterparty (Credit Valuation Adjustment or CVA) and of its non-performance credit risk (Debit Valuation Adjustment or DVA), in order to make the adjustment of the fair value of derivative financial instruments for the corresponding value of counterparty risk.

In particular, the Company measures the CVA/DVA based on the net exposure taking into account any existing arrangements that mitigate credit risk exposure in the event of default and, subsequently, allocating the adjustment on each financial instrument that constitutes the portfolio. In order to measure the CVA / DVA, the company uses a valuation technique based on the Potential Future Exposure, whose inputs are observable on the market.

The notional amount of a financial derivative is the nominal on which payments are calculated. Foreign currency amounts are converted to Euro at official European Central Bank exchange rates at 31 December 2017.

The transactions compliant with IAS 39 requirements can be designated as cash flow hedge, otherwise are classified as trading.

Interest rate risk

Interest rate risk is the risk borne by an interest-bearing financial instrument due to variability of interest rates. The optimal debt structure results from the trade-off between reducing the interest rate exposure and minimizing the average cost of debt.

The Company is exposed to interest rate fluctuation both on liabilities and on assets.

Interest rate swaps are stipulated to mitigate the exposure to interest rates fluctuation, thus reducing the volatility of economic results. Through an interest rate swap, the Company agrees with a counterparty to exchange, with a specified periodicity, floating rate interest flows versus fixed rate interest flows, both calculated on a reference notional amount. In order to ensure effectiveness, all the contracts have notional amount, periodicity and expiry date matching the underlying financial liability and its expected future cash flows.

The following table reports the notional amount and fair value of interest rate derivatives at 31 December 2017 and 31 December 2016:

Millions of euro

	Notional		Fair value		Fair value assets		Fair value liabilities	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Cashflow hedge derivatives:								
Interest rate swap	8,091	8,400	(209)	(266)	-	-	(209)	(266)
Trading derivatives:								
Interest rate swap	100	100	(4)	(4)	2	3	(6)	(7)
Total interest rate derivatives	8,191	8,500	(213)	(270)	2	3	(215)	(273)

The following table reports expected cash flows related to derivatives for the coming years:

Millions of euro

	Fair value	Expected cash flows					
	31 Dec 2017	2018	2019	2020	2021	2022	Beyond
Cashflow hedge derivatives:							
Positive Fair value derivatives							
Negative fair value derivatives	(209)	(12)	(44)	(55)	(48)	(30)	(26)
Trading derivatives:							
Positive Fair value derivatives	2	1	1	-	-	-	-
Negative fair value derivatives	(6)	(1)	(1)	(1)	(1)	49	-
Total Interest rate derivatives	(213)	(12)	(45)	(56)	(49)	19	(26)

Regarding the details of interest rate swap contracts on the basis of hierarchy of inputs used to determine fair value, as specified by IFRS 13, refer to the notes: 7.

At 31 December 2017, 1.98 % of gross long term debt towards third parties was floating rate (2.5 % at 31 December 2016). Taking into account interest rate derivatives designated as cash flow hedge considered effective pursuant to the IFRS – EU, gross long term debt is mostly fully hedged against interest rate risk.

Having both assets and liabilities indexed to floating rate indices, the sensitivity of the Company income statement to the fluctuation of interest rates depends upon its net long term financial position, please refer to the sensitivity table.

Interest rate risk sensitivity analysis

The Company performs sensitivity analysis by estimating the effects of changes in the level of interest rates on financial instruments portfolio. In particular sensitivity analysis measures the potential impact of market scenarios both on equity, for the hedging component of derivatives in cash flow hedge, and on income statement for all derivatives that do not qualify for hedge accounting and the portion of net long term floating-rate debt not covered by derivatives.

These scenarios are represented by parallel translation, measured in basis points (bps) in the interest rate yield curve at the reporting date. All other variables held constant, the Company's income and equity before tax is impacted as follows:

Thousands of euro

Interest rate risk sensitivity analysis		31 Dec 2017			
		Pre-tax impact on income		Pre-tax impact on equity	
	Interest Rates scenario	increase	decrease	increase	decrease
Change in interest expense related to long term gross floating-rate debt after hedging	25 bp	125	(125)	-	-
Change in Fair value of Derivative financial instruments not qualifying for hedge accounting	25 bp	(54)	54	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	25 bp	-	-	119,388	(119,388)

Thousands of euro

Interest rate risk sensitivity analysis		31 Dec 2016			
		Pre-tax impact on income		Pre-tax impact on equity	
	Interest Rates scenario	increase	decrease	increase	decrease
Change in interest expense related to long term gross floating-rate debt after hedging	25 bp	125	(125)	-	-
Change in Fair value of Derivative financial instruments not qualifying for hedge accounting	25 bp	21	(21)	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	25 bp	-	-	152,517	(152,517)

Exchange rate risk

Exchange rate risk is a type of risk that arises from the change in price of one currency against another. The Company exposure to such risk is mainly due to foreign currencies denominated flows, originated by financial assets and liabilities.

In order to mitigate this risk, the Company enters into plain vanilla transactions such as currency forwards and cross currency interest rate swaps. In order to ensure effectiveness, all the contracts have notional amount and expiry date matching the underlying expected future cash flows.

Cross currency interest rate swaps are used to transform a long-term fixed – or floating – rate liability in foreign currency into an equivalent fixed – or floating – rate liability in euro, while currency forwards are used to hedge commercial papers and intercompany loans.

The following table reports the notional amount and fair value of exchange rate derivatives at 31 December 2017 and 31 December 2016:

Millions of euro

	Notional		Fair value		Fair value assets		Fair value liabilities	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Cashflow hedge derivatives:								
Cross currency interest rate swap	12,212	7,455	(1,057)	296	33	725	(1,089)	(429)
Trading derivatives:								
Forward	4,784	4,255	50	(4)	71	13	(22)	(17)
Total exchange rate derivatives	16,996	11,711	(1,007)	293	104	738	(1,111)	(445)

The following table reports expected cash flows related to derivatives for the coming years:

Millions of euro	Fair value 31 Dec 2017	Expected cash flows 2018	2019	2020	2021	2022	Beyond
Cross currency interest rate swap							
Positive Fair value derivatives	33	7	3	6	3	3	47
Negative fair value derivatives	(1,089)	116	130	130	130	(3)	973
Forwards							
Positive Fair value derivatives	71	63	-	-	-	-	-
Negative fair value derivatives	(22)	(21)	-	-	-	-	-
Total Exchange rate derivatives	(1,007)	164	133	135	133	-	1,020

Regarding the details of derivatives contracts on the basis of hierarchy of inputs used to determine fair value, as specified by IFRS 13, refer to the notes: 7.

Foreign exchange risk sensitivity analysis

The Company performs sensitivity analysis by estimating the effects on financial instruments portfolio of changes in the level of exchange rates. In particular sensitivity analysis measures the potential impact of market scenarios both on equity, for the hedging component of cash flow hedges derivatives, and on income statement for those derivatives that do not qualify for hedge accounting and the portion of gross long-term foreign denominated debt not covered by derivatives.

These scenarios are represented by the 10% Euro appreciation/depreciation towards all foreign currencies in comparison with end of year level. All other variables held constant, the Company's income and equity before tax is impacted as follows:

Thousands of euro

Foreign exchange risk sensitivity analysis		31 Dec 2017			
		Pre-tax impact on income		Pre-tax impact on equity	
-	Exchange Rate scenario	Euro Appr.	Euro Depr.	Euro Appr.	Euro Depr.
Change in Fair value of Derivative financial instruments not qualifying for hedge accounting	10%	262,140	(320,210)	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	10%	-	-	(1,488,131)	1,818,861

Thousands of euro

Foreign exchange risk sensitivity analysis		31 Dec 2016			
		Pre-tax impact on income		Pre-tax impact on equity	
-	Exchange Rate scenario	Euro Appr.	Euro Depr.	Euro Appr.	Euro Depr.
Change in Fair value of Derivative financial instruments not qualifying for hedge accounting	10%	258,702	(315,843)	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	10%	-	-	(1,162,042)	1,420,442

Credit risk

Credit Risk is the risk that the Company will suffer losses when a counterparty defaults in meeting its obligations on a trade or transaction of any kind when it is supposed to.

Credit risk from intercompany loans and other financial receivable is managed by the Company. Enel Finance International N.V. is part of the centralising financial flow process and acts as the primary reference for the management of financial needs or liquidity generated by Enel Group entities. The Company manages its lending operations to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2017 are the carrying amounts.

Liquidity risk

Liquidity Risk is the risk that the Company will become unable to settle obligations with immediacy, or will be able to meet them only at uneconomic conditions. In order to mitigate this risk Enel Finance International N.V. meets liquidity requirements primarily through cash flows generated by ordinary operations and drawing on a range of financing sources while managing any liquidity excess as appropriate.

The Company has an access to committed credit line with Mediobanca (Euro 5,000 million). The outstanding commercial paper programs with a maximum ceiling on 6,000 million, of which Euro 980 million drawn at 31 December 2017 (Euro 2,127 million at 31 December 2016).

Furthermore, Enel S.p.A. has confirmed through a letter dated 17 January 2018 its commitment to explicitly provide the Company with the financial support until the date of approval of full year 2018 financial statements of the Company.

Notes to the financial statements

1 Result from operating activities – Euro (4) million

Result from operating activities is negative for Euro 4 million in line with the previous year and refer to services (mainly related to legal and consultancy charges) for Euro 3 million and to personnel costs for Euro 1 million.

2 Financial income/ (expense) other than from derivatives – Euro 745 million

Millions of euro

	2017	2016	Change
Financial income:			
Interest income			
- interest income on long-term financial assets	978	986	(8)
- interest income on short-term financial assets	116	78	38
Total interest income	1,094	1,064	30
Positive exchange rate differences	1,379	630	749
Total finance income other than from derivatives	2,473	1,694	779
Financial expense:			
Interest expense			
- interest expense on bank borrowings	(108)	(81)	(27)
- interest expense on bonds	(1,076)	(944)	(132)
- interest expense on commercial papers	2	-	2
Total interest expense	(1,182)	(1,025)	(157)
Negative exchange rate differences	(546)	(242)	(304)
Total financial expense other than from derivatives	(1,728)	(1,267)	(461)
Net financial income/ (expense) other than from derivatives	745	427	318

Interest income from assets amounted to Euro 1,094million, having an increase by Euro 30 million on 31 December 2017 with the variation mainly attributed to interest income gained from long-term loan granted to Enel Green Power S.p.A (Euro 11 million) and interest income of revolving credit lines granted to Group companies. The above mentioned increase was partly offset by lower interests income attributed to repayments of long-term loans by Enel Iberia S.r.l. (Euro 30 million) and Enel Trade S.p.A. (Euro 5 million).

Interests expenses on financial debt totaled Euro 1,182 million increased by Euro 157 million mainly due to:

- interests expenses attributed to issuance made in 2017 (Euro 121 million)

- execution of a make whole option (Euro 108 million);

- recognition of residual amount of amortised prepaid expenses devoted to old agreement with Mediobanca (Euro 23 million);

- increase of interests and fees paid to Group companies due to lower amount of borrowed facilities (Euro 2 million);

This increase was partly offset by:

- decrease of interests denominated in non-euro currencies (Euro 69million)

- decrease of interest attributed to the bond repaid in 2016 (Euro 30 million)

- negative interest charges received from the on Commercial Paper (Euro 2 million)

- higher interest accrued in 2016 due to one additional day in a leap year.

The net foreign exchange gain increased by Euro 445 million and totaled to Euro 833 million They consisted of: the positive revaluation of the bonds denominated in foreign currencies (Euro 915 million) and negative foreign currency evaluation of non-euro group portfolio (Euro 460 million).

The amount of the foreign exchange losses Euro 814 million arisen from the revaluation of bonds above mentioned is entirely neutralized by the same amount recycled to the Cash Flow Hedge equity reserve.

3. Financial income/(expense) from derivatives –Euro (847) million

Millions of euro

	2017	2016	Change
Financial income from derivatives:			
- income from cash flow hedge derivatives	567	267	300
- income from derivatives at fair value through profit or loss	588	224	364
Total finance income from derivatives	1,155	491	664
Financial expense from derivatives:			
- expense from cash flow hedge derivatives	(1,651)	(458)	(1,193)
- expense from derivatives at fair value through profit or loss	(351)	(396)	45
Total financial expense from derivatives	(2,002)	(854)	(1,148)
Net income/(expense) from derivatives	(847)	(363)	(484)

Net income/ (expenses) from cash flow hedge derivatives totaled to negative Euro 1,084 million having a decrease by Euro 893 million comparing with the previous period mainly due to decrease of financial income transfer to equity (Euro 573 million) and decrease of realised income from financial exchange derivatives (Euro 319 million).

Net income/ (expenses) from derivatives at fair value through profit and loss increased by Euro 409 million mainly due to increase of realised losses (Euro 347 million) and increase of change in fair value (Euro 62 million).

For more detail about derivative financial instruments, please refer to the note 7

4 Income tax (income)/expenses – Euro 10 million

Millions of euro

	2017	2016	Change
Profit before income taxes	(106)	60	(166)
Withholding tax on foreign interests	21	1	20
Tax rate at nominal tax rate (25%)	-	14	(14)
Current (effective) Taxation	(10)	15	(25)
Effective tax rate	-9.85%	25%	
Deferred tax asset	(31)	-	(31)

Income taxes for 2017 amounted to negative Euro 10 million, compared with Euro 15 million in 2016.

The decrease of Euro 25 million reflected to decrease of pre-tax income and recognition of deferred tax assets (Euro 45 million) partly offset by increase of withholding tax on interest (Euro 20 million).

5 Deferred tax assets – Euro 341 million

At 31 December 2017 deferred tax assets in amount of Euro 341 million increased by Euro 48 million mainly due to tax effect of derivative valuation and release to profit and loss forex revaluation of hedged items recognized in cash flow hedge reserve (Euro 17 million) and deferred tax assets recorded in relation make whole option execution expenses which the Company may deduct in the following years.

On a basis of current estimates of future taxable income there is a reasonable certainty of recoverability of deferred tax assets.

6 Long-term loans and financial receivables including portion falling due within twelve month – Euro 20,467 million

Following table represents to medium long-term loans granted to Enel Group companies:

Millions of Euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Loan receivable from Enel Iberia Srl	5,240	5,908	(668)
Loan receivable from E-Distribuzione S.p.A.	5,500	5,500	-
Loan receivable from Endesa SA	3,000	3,000	-
Loan receivable from Enel Produzione S.p.A.	2,000	2,000	-
Loan receivable from Enel Green Power S.p.A.	1,677	-	1,677
Loan receivable from Enel S.p.A.	1,200	1,200	-
Loan receivable from Parque Eólico Renaico SpA	537	554	(17)
Loan receivable from Enel Green Power Hellas SA	150	150	0
Loan receivable from Enel Green Power North America	395	-	395
Loan receivable from PH Chucas SA	107	120	(13)
Loan receivable from Enel Sole S.r.l.	100	100	-
Loan receivable from Energías Renovables La Mata SAPI de Cv	100	122	(22)
Loan receivable from Energía Limpia de Palo Alto S de RL de Cv	98	126	(28)
Loan receivable from Vientos del Altiplano S de RL de Cv	81	105	(24)
Loan receivable from Dominica Energía Limpia S de RL de Cv	82	104	(22)
Loan receivable from Enel Green Power Panama SA	45	57	(12)
Loan receivable from Estrellada SA	38	46	(8)
Loan receivable from Enel Green Power México S de RL de Cv	26	40	(14)
Loan receivable from Kalenta SA	19	21	(2)
Loan receivable from El Paso Solar SAS	2	-	2
Total loans to Enel Group Entities	20,397	19,152	1,245

Long-term financial receivables totals to Euro 20,397 million increased by Euro 1,245 million compared to the same period of 2016 mainly due to loans granted to Enel Green Power S.p.A (Euro 1,677 million), Enel Green Power North America (Euro 395 million), Parque Eólico Renaico SpA (Euro 57 million), PH Chucas (Euro 13 million) and El Paso Solar SAS (Euro 3 million). This increase was partly offset early repayment of loans by Enel Iberia S.A. (Euro 668 million), reclassification of current portion of loans (Euro 71 million) and negative foreign exchange effect (Euro 161 million).

Short-term portion of long-term loans is represented in the table below:

Millions of euro	at Dec. 31, 2017	at Dec. 31, 2016	Change
Short-term portion of long-term loans granted to Enel Group Entities			
Loan receivable from Enel Global Trading S.p.A.	-	700	-700
Loan receivable from Energía Limpia de Palo Alto S de RL de Cv	12	14	-2
Loan receivable from PH Chucas SA	12	13	-1
Loan receivable from Dominica Energía Limpia S de RL de Cv	10	12	-2
Loan receivable from Enel Green Power México S de RL de Cv	9	10	-1
Loan receivable from Vientos del Altiplano S de RL de Cv	10	10	-
Loan receivable from Energías Renovables La Mata SAPI de Cv	8	9	-1
Loan receivable from Kalenta SA	2	3	-1
Loan receivable from Estrellada SA	3	3	-
Loan receivable from Enel Green Power Panama SA	4	4	-
Total	70	777	-707

During 2017 the fixed or floating interest rates varied from 2.462% to 10.177% (2016: 2.462% to 10.177%) for loans nominated in EUR and from 2.474% to 7.317% (2016: 3.368% to 6.228%) for loans nominated in USD.

The fair value of the long term loans and financial receivables is estimated using the discounted cash-flows over the remaining terms of such debt and are within level 2 of the fair value hierarchy. The fair value of the long term portfolio totals €23,745 million.

7. Derivatives – Euro (1,219) million

Derivative instruments refer to: (i) Cash flow hedge derivatives used by the Company to hedge the exchange rate and interest rate fluctuations of bonds and long-term loans or receivables; (ii) derivatives at fair value through profit and loss used by the Company to hedge the loan interest rate fluctuations. For further details see *“Risk Management”* section.

Milions of euro	Non Current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
DERIVATIVE ASSETS								
Cash flow hedge								
on interest rate risk	-	-	-	-	-	-	-	-
on foreign exchange risk	234	4,734	26	725	299	1,423	7	344
Total	234	4,734	26	725	299	1,423	7	344
At fair value through profit or loss								
on interest rate risk	50	50	2	4	-	-	-	-
on foreign exchange risk	-	-	-	-	3,827	1,573	71	13
Total	50	50	2	4	3,827	1,573	71	13
TOTAL DERIVATIVE ASSETS	284	4,784	28	729	4,126	2,996	79	357

DERIVATIVE LIABILITIES								
Cash flow hedge								
on interest rate risk	8,091	8,400	209	266	-	-	-	-
on foreign exchange risk	11,594	2,721	1,075	429	85	-	14	-
Total	19,685	11,121	1,284	695	85	-	14	-
At fair value through profit or loss								
on interest rate risk	50	50	6	7	-	-	-	-
on foreign exchange risk	-	-	-	-	957	2,682	22	17
Total	50	50	6	7	957	2,682	22	17
TOTAL DERIVATIVE LIABILITIES	19,735	11,171	1,290	702	1,042	2,682	36	17

The following table shows the amount of derivative contracts detailed on the basis of the hierarchy of inputs used to determine fair value, as specified by IFRS 13:

Millions of euro	Non Current				Current			
	31 Dec 2017	Level 1	Level 2	Level 3	31 Dec 2017	Level 1	Level 2	Level 3
DERIVATIVE ASSETS								
Cash flow hedge								
on interest rate risk	-	-	-	-	-	-	-	-
on foreign exchange risk	26	-	26	-	7	-	7	-
Total	26	-	26	-	7	-	7	-
At fair value through profit or loss								
on interest rate risk	2	-	2	-	-	-	-	-
on foreign exchange risk	-	-	-	-	71	-	71	-
Total	2	-	-	-	71	-	71	-
TOTAL DERIVATIVE ASSETS	28	-	28	-	79	-	79	-
DERIVATIVE LIABILITIES								
Cash flow hedge								
on interest rate risk	209	-	209	-	-	-	-	-
on foreign exchange risk	1,075	-	1,075	-	14	-	14	-
Total	1,284	-	1,284	-	14	-	14	-
At fair value through profit or loss								
on interest rate risk	6	-	6	-	-	-	-	-
on foreign exchange risk	-	-	-	-	22	-	22	-
Total	6	-	6	-	22	-	22	-
TOTAL DERIVATIVE LIABILITIES	1,290	-	1,290	-	36	-	36	-

8 Other non-current financial assets – Euro 13 million

Other non-current financial assets totaled Euro 13 million as t 31 December 2017 is essentially accounted for by transaction costs on Euro 10 billion revolving credit facility agreed on December 18, 2017 between Enel SpA, Enel Finance International N.V. and Mediobanca. All costs attributed to previous agreement were recognized in profit and loss.

9 Short-term loans and financial receivables – Euro 9,076 million

The following table shows the breakdown of the short-term loans granted to Enel Group affiliated companies:

Millions of euro

	at Dec.31, 2017	at Dec. 31, 2016	Change
Short-term loans granted to Enel Group Entities			
Enel S.p.A. - Financial Services Agreement	2,480	2,096	384
Revolving short-term facility agreement with Enel Trade S.p.A.	500	500	0
Revolving short-term facility agreement with Enel Produzione S.p.A.	1,500	1,000	500
Revolving short-term facility agreement with Enel Green Power S.p.A.	1,800	1,000	800
Revolving short-term facility agreement with E-Distribuzione S.p.A.	1,000	-	1,000
Revolving short-term facility agreement with Enernoc Inc.	159	-	159
Revolving short-term facility agreement with ENEL X INTERNATIONAL SRL	206	-	206
Revolving short-term facility agreement with Villanueva Solar SA de Cv	259	-	259
Revolving short-term facility agreement with OpEn Fiber S.p.A.	220	125	95
Revolving short-term facility agreement with Proyecto Solar Villanueva Tres S.A. de C.V.	206	-	206
Revolving short-term facility agreement with Dominica Energía Limpia S de RL de Cv	167	-	167
Revolving short-term facility agreement with Proyecto Solar Don José, S.A. De C.V.	146	-	146
Revolving short-term facility agreement with Enel Green Power Hellas Sa	115	122	(7)
Revolving short-term facility agreement with Energía Limpia de Amistad S de RL de Cv	97	-	97
Revolving short-term facility agreement with Enel Green Power Perú SA	81		81
Revolving short-term facility agreement with Enel Green Power México S de RL de Cv	48	-	48
Revolving short-term facility agreement with Enel Green Power RSA	28	219	(191)
Revolving short-term facility agreement with Parque Salitrillos SA de Cv	19	-	19
Revolving short-term facility agreement with Enel Green Power Bulgaria EAD EGP Bulgaria	18	23	(5)
Revolving short-term facility agreement with Proveedora de Electricidad de Occidente Srl de Cv	13	-	13
Revolving short-term facility agreement with Enel Green Power North America Inc	-	769	(769)
Revolving short-term facility agreement with Enel Green Power Chile Ltda	-	705	(705)
Revolving short-term facility agreement with Enel Green Power Romania Srl	-	52	(52)
Other short term loans granted to Enel Group affiliates	14	6	8
Total short term loans granted to Enel Group affiliates	9,076	6,617	2,459

The fair value of the current loans to Enel Group entities equals their carrying amount, as the impact of discounting is not significant due to the short maturity.

The table below reports the short-term financial instruments granted to the Enel Group companies:

Millions of Euro

Facility Agreements denominated in Euro	Financial relationship	Commitment amount as at 31 Dec 2017	Rate of Interest	Spread as at 31 Dec 2017	Commitment fee as at 31 Dec 2017
Enel Produzione S.p.A.	Revolving credit facility	1,500	3M Euribor	0.85%	35% of the margin
Enel Trade S.p.A.	Revolving credit facility	500	3M Euribor	0.85%	35% of the margin
Enel Iberia S.r.l.	Revolving credit facility	200	3M Euribor	0.40%	35% of the margin
Endesa S.A.	Revolving credit facility	1000[*]	3M Euribor	0.06%	N/A
Open Fiber S.p.A	Revolving credit facility	220	1.625%		35% of the margin
Enel Green Power Bulgaria EAD	Revolving credit facility	21	3M Euribor	1.10%	35% of the margin
Enel Green Power Hellas SA	Revolving credit facility	132	3M Euribor	1.25%	35% of the margin
Enel Green Power S.p.A.	Revolving credit facility	2,000	3M Euribor	0.40%	35% of the margin
Enel Green Power Turkey Enerji Yatirimlari Anonim Sirketi	Revolving credit facility	2	3M Euribor	1.60%	35% of the margin
Enel X International S.r.L.	Revolving credit facility	232	3M Euribor	1.00%	35% of the margin
e-distribuzione S.p.A.	Revolving credit facility	1,000	3M Euribor	0.40%	35% of the margin

[*] uncommitted credit line

Millions of USD

Facility Agreements denominated in US$	Financial relationship	Commitment amount as at 31 Dec 2017	Rate of Interest	Spread as at 31 Dec 2017	Commitment fee as at 31 Dec 2017
Enel Green Power Chile Ltda	Revolving credit facility	50	3M US Libor	1.35%	35% of the margin
Proveedora de Electricidad de Occidente S de RL de Cv	Revolving credit facility	15	6M US Libor	1.40%	35% of the margin
Enel Green Power North America Inc.	Revolving credit facility	192	3M US Libor	1.45%	35% of the margin
Estrellada SA	Revolving credit facility	10	3M US Libor	1.80%	35% of the margin
Energia Limpia de Amistad S de RL de CV	Revolving credit facility	347	3M US Libor	3.50%	35% of the margin
Parque Solar Don Jose SA de CV	Revolving credit facility	245	3M US Libor	3.50%	35% of the margin
Dominica Energia Limpia S de RL de CV	Revolving credit facility	215	3M US Libor	3.80%	35% of the margin
Enel Green Power Mexico S.A.	Revolving credit facility	400	3M US Libor	1.40%	35% of the margin
Villanueva Solar SA de CV	Revolving credit facility	428	3M US Libor	3.50%	35% of the margin
Parque Solar Villanueva Tres SA de CV	Revolving credit facility	293	3M US Libor	3.50%	35% of the margin
Parque Salitrillos SA de CV	Revolving credit facility	125	3M US Libor	3.90%	35% of the margin
Enel Green Power Peru S.A.	Revolving credit facility	220	3M US Libor	1.90%	35% of the margin
Enel Green Power Panama S.A.	Revolving credit facility	15	3M US Libor	1.20%	35% of the margin

Generadora Estrella Solar S.A.	Revolving credit facility	10	3M US Libor	3.50%	35% of the margin

Millions of ZAR

Facility Agreements denominated in ZAR	Financial relationship	Commitment amount as at 31 Dec 2017	Rate of Interest	Spread as at 31 Dec 2017	Commitment fee as at 31 Dec 2017
Enel Green Power RSA (Pty) Ltd	Revolving credit facility	1,500	3M Jibar	4.91%	35% of the margin

Millions of RON

Facility Agreements denominated in RON	Financial relationship	Commitment amount as at 31 Dec 2017	Rate of Interest	Spread as at 31 Dec 2017	Commitment fee as at 31 Dec 2017
Enel Green Power Romania Srl	Revolving credit facility	100	3M Robor	1.40%	35% of the margin

10 Other current financial assets – Euro 705 million

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016	Change
Cash collaterals	530	-	530
Current financial accrued income	174	182	(8)
Other current financial receivables	1	7	(6)
Total current financial assets	705	189	516

Other current financial assets increased by Euro 516 million comparing with the previous year principally due to cash collateral received from counterparties in over-the-counter derivatives transactions on interest rates and exchange rates. This increase was slightly neutralized by decrease of accrued income related to the long-term loan and short-term credit lines granted to Enel Group affiliate.

At 31 December 2017 current financial assets do not have impaired items.

11 Other current assets

Other current assets decreased by Euro 220 million comparing with the previous year principally due repayment of receivables of Enel Green Power P.s.A. (Euro 204 million) appeared because of demerger and transfer of receivables of Enel Investment Holding B.V. devoted to fiscal unity.

12 Cash and cash equivalents – Euro 310 million

Cash and cash equivalent represent the cash availability deriving by the turnover of lending portfolio of the Company, temporary not invested in lending activities within Enel Group and placed in time deposits operations with primary bank counterparties.

Cash balances are mostly denominated in euro. Cash balances are not restricted by any encumbrances.

13 Shareholder's equity – Euro 1,863million

Share capital – Euro 1.479 million

The authorized share capital of the company amounts to Euro 2.500 million, divided into 2.500 million of shares, each share with a nominal value of Euro 1,0 each.

The issued and paid-up share capital amounts to Euro 1.478,8 million represented by 1.478.810.371 shares with nominal value of Euro 1,0 each increased by 1 share as a result of demerger of Enel Green Power International B.V.

<u>Merger reserve</u> – Euro 1,026 million

The reserve arises from the cross-border merger finalized during 2010 between Enel Finance International S.A. and Enel Trading RUS B.V. (Euro 43 million) and demerger of net assets from Enel Green Power International B.V. in October 2016 (Euro 983 million).

<u>Cash flow hedge reserve</u> – Euro (924) million

The reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions. The variation over the period is detailed as follows:

Millions of Euro

	at Dec. 31, 2016	Gain/(Losses) recognized in equity for the year	Released to income statement	Deferred tax	at Dec. 31, 2017
Gains/Losses on change in fair value of the effective portion of CFH Derivatives on interest and exchange rates (IAS 39)	(877)	(1,663)	1,600	16	(924)
Total gains/(losses) recognized in equity	(877)	(1,663)	1,600	16	(924)

The decrease of cash flow hedge is mainly due to decrease of fair value measurement of cross currency interest rate swap derivatives on bonds (Euro 1,696 million) partly offset by increase of fair value of interest rate swap derivatives on long-term floating rate loans (Euro 56 million) the release (Euro 1,600 million) referred to positive variation of the underlying hedged financial liabilities when the latter impact the Company income statement. Deferred tax asset related to the temporary differences of stated above movements totaled Euro 16 million.

<u>Capital Management</u>

It is policy of the Company to maintain a strong capital base to preserve creditors and market confidence and so sustain future development of the business. The Board of Directors monitors the return on capital that the Company defines as total shareholder's equity, and the level of dividends to ordinary shareholders.

The return of capital is calculated as a percentage of financial result on total equity net of cash flow hedge reserve excluded in this key performance indicator because Company's management preferred to exclude evaluation equity reserves which might be quite volatile over the periods:

Millions of euro

	at Dec. 31, 2017	at Dec. 31, 2016
Total Equity	1,863	2,006
Cash flow hedge reserve	(924)	(877)
Adjusted equity	2,787	2,883
Net financial result	(96)	45
Return of capital (*)	2%	2%

* Key Performance Indicator determined on a yearly basis.

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

There were no changes in the Company's approach to capital management during 2017. The Company is not subject to externally imposed capital requirements.

Proposal for net result appropriation

The Board of Directors proposes to the Shareholder the allocation of the net result of the year 2017 to the Company's retained earnings.

14 Long-term loans and borrowings (including the portion falling due within twelve months for Euro 1,439 million) – Euro 22,122 million

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk see paragraph "*Risk management*".

The aggregate includes long-term payables in respect of bonds, bank loans, revolving credit facility and other loans in Euro and other currencies.

The following table shows the nominal values, carrying amounts of long-term debt at 31 December 2017, including the portion falling due within 12 months, grouped by type of borrowing and type of interest rate:

Millions of Euro	Balance	Nominal value	Portion falling due after more than 12 months	Current portion	Balance	Nominal value	Portion falling due after more than 12 months	Current portion
	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016
Bond								
Listed Bond (Fixed rate)	12,802	13,309	11,363	1,439	12,114	12,662	11,477	1,439
Listed Bond (Floating rate)	446	450	445	-	445	450	445	-
Unlisted Bond (Fixed rate)	8,874	8,948	8,874	-	5,598	5,640	4,176	-
Total Bond	22,122	22,707	20,682	1,439	18,157	18,752	16,098	1,439

The table below summarizes the maturity profile of the Company's long-term debt on contractual undiscounted payments.

	Maturing in					
Millions of Euro	2018	2019	2020	2021	2022	Beyond
Bond						
Listed Bond (Fixed rate)	1,440	125	667	533	2,077	8,466
Listed Bond (Floating rate)	-	-	-	-	150	300
Unlisted Bond (Fixed rate)	-	-	-	-	1,718	7,231
Total Bond	1,440	125	667	533	3,945	15,997

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

Millions of Euro

	31 Dec 2017	31 Dec 2017	31 Dec 2016	31 Dec 2017	
	Balance	Nominal value	Balance	Current average interest rate	Effective interest rate
Total Euro	*10,004*	*10,495*	*9,342*	*3.59%*	*4.34%*
US dollar	8,688	8,755	5,421	4.17%	4.33%
British pound	2,510	2,536	2,599	5.70%	5.82%
Swiss Franc	687	688	540	2.37%	2.42%
Japanese yen	233	233	255	2.43%	2.46%
Total non-Euro currencies	*12,118*	*12,212*	*8,815*		
Total	22,122	22,707	18,157		

The table below reports the carrying amount and the fair value of long-term debt. For listed debt instruments, the fair value is given by official prices while for unlisted instruments the fair value is determined using appropriate valuation technique for each category of financial instrument and market data at the closing date of the year.

Millions of Euro

	31 Dec 2017		31 Dec 2016		2017 - 2016	
	Book Value	Fair value	Book Value	Fair value	Book Value	Fair value
Bonds in non-Euro currencies and Euro currency	22,122	25,478	18,157	21,528	3,964	3,950
Total long-term financial debt	22,122	25,478	18,157	21,528	3,964	3,950

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

Millions of Euro

	Nominal value	New financing	Capitalised interests on ZCB	Repayments	Exchange rate differences	Nominal value
	31 Dec 2016					31 Dec 2017
Bonds in non-Euro currencies and Euro currency	18,751	8,482	-	(3,370)	(1,157)	22,706
Total long-term financial debt	18,751	8,482	-	(3,370)	(1,157)	22,706

Global Medium Term Programme

On January 2017 the Company placed on a green bond, backed by a guarantee issued by Enel S.p.A. The issue totaled 1,250 million euros and provided for repayment in single instalment at maturity on 16 September 2024, as well as the payment of a fixed-rate coupon of 1%, payable annually in arrears in the month of September, as from September 2017.

The green bond is listed on regulated markets of the Irish and Luxembourg Stock Exchanges and Borsa Italiana.

On 3 March 2017 the Company placed swiss franc-denominated bond at fixed interest rate 0.55% maturing in 2024. The issue totaled 225 million.

On 25 May 2017 the Company issued bonds on the US and international markets for institutional investors.

The transaction is structured in the following tranches:

- 2,000 million USD at a fixed rate of 2.875% maturing in 2022;
- 2,000 million USD at a fixed rate of 3.625% maturing in 2027; and
- 1,000 million USD at a fixed rate of 4.750% maturing in 2047.

On 6 November the Company placed another multi-tranche bond totaling 3 billion USD

The transaction is structured in the following tranches:

- 1,250 million USD at 2.75% fixed rate maturing in 2023;
- 1,250 million USD at 3.5% fixed rate maturing in 2028;
- an additional 500 million USD of EFI ' s existing 4.750% fixed rate Notes issued in May 2017 maturing in 2047.

Revolving Facility Agreement

In December 2017 Enel S.p.A and the Company renegotiated the forward starting revolving credit facility of about Euro 10,000 million with Mediobanca – Banca di Credito Finanziario S.p.A. and a pool of banks leaded by Mediobanca, falling due 2022.

The facility was undrawn at December 31, 2017

Debt covenants

The main long-term financial debts of the Company are governed by covenants containing undertakings by the borrowers (Enel S.p.A. and the Company) and by Enel S.p.A. as guarantor that are commonly adopted in international business practice. The main covenants for the Company are related to the bond issues carried out within the Global Medium-Term Notes Programme and the Forward Start Facility. The Forward Start Facility was signed on 8 February 2013 by Enel and by the Company with a pool of banks for a total amount of Euro 9.440 million. To date none of the covenants have been triggered.

The main covenants in respect of the bond issues under the Global/Euro Medium-Term Notes program can be summarized as follows:

· negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets or revenues to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;

· pari passu clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have at least the same seniority as other unsubordinated and unsecured obligations, present and future, of the issuer;

· specification of default events, whose occurrence (e.g. insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default;

· under cross-default clauses, the occurrence of a default event (above a threshold level) in respect of certain indebtedness of the issuer constitutes a default in respect of the bonds in question, which may become immediately repayable;

- early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

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

The main covenants for the Forward Start Facility involving the Company and Enel S.p.A. can be summarized as follows:

- negative pledge clause under which the borrower (and Enel S.p.A.'s significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of their assets to secure certain financial indebtedness;

- pari passu clause, under which the payment obligation of the borrower have at least the same seniority as its other unsubordinated and unsecured payment obligations;

- change of control clause which is triggered in the event (i) control of Enel is acquired by one or more shareholders other than the Italian state or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to any other persons 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 facility or (b) compulsory early repayment of the facility by the borrower;

- specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, misrepresentation, insolvency of the borrower or Enel S.p.A.'s significant subsidiaries, cessation of business, governmental intervention or nationalization, administrative proceeding with potential negative impact) constitutes a default of the facility. Unless remedied within a specified period of time, such default will trigger an obligation to make immediate repayment of the facility under an acceleration clause;

- under cross-default clause, the occurrence of a default event (above a threshold level) in respect of certain financial indebtedness of the borrower or Enel S.p.A.'s "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least equal to a specified percentage (10% of gross consolidated revenues or total consolidated assets)) constitutes a default in respect of the facility in question, which may become immediately repayable;

- disposals clause, under which the borrower (and Enel S.p.A.'s controlled subsidiaries) may not dispose of all or any material part of their assets or undertaking with the exception of permitted disposals.

15 Short-term loans and borrowings – Euro 5,352 million

Millions of Euro

	at Dec. 31, 2017		at Dec. 31, 2016		Change	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Short-term loans Enel Group companies	4,372	4,372	5,071	5,071	(699)	(699)
Commercial papers	980	980	2,127	2,127	(1,147)	(1,147)
Short-termfinancialdebt	5,352	5,352	7,198	7,198	(1,846)	(1,846)

Short-term loans

At 31 December 2017 short-term loans decreased by Euro 699 million from 31 December 2016.

Millions of Euro

	Original currency	Euro countervalue at 31 Dec 2017	Euro countervalue at 31 Dec 2016	Change
Intercompany Current Accounts denominated in Euro				
Enel Servizio Elettrico S.p.A.	Euro	2,559	2,744	(185)
Enel Investment Holding B.V.	Euro	1,085	1,344	(259)
Enel Iberia S.r.l.	Euro	100	303	(203)
Enel Energia S.p.A	Euro	500	500	-
Enel Green Power Chile Ltda	USD	65	-	65
Generadora Montecristo SA	USD, MXN	34	30	4
Enel Green Power Costa Rica SA	USD	8	6	2
Enel Green Power Canada Inc	CAD	8	5	3
Proveedora de Electricidad de Occidente S de RL de Cv	USD	5	41	(36)
Enel Green Power México S de RL de Cv	Euro	1	73	(72)
Erdwärme Oberland Gm	Euro	1	13	(12)
Kongul Energì Sanayive Tìcaret Anonìm S¸ìrket	TRY	-	8	(8)
Enel Green Power Development BV	Euro	-	2	(2)
KAVACIK EOLİKO ENERJİ ELEKTRİK ÜRETİM VE TİCARET ANONİM ŞİRKETİ	TRY	4	1	3
OVACIK EOLİKO ENERJİ ELEKTRİK ÜRETİM VE TİCARET ANONİM ŞİRKETİ	TRY	2	1	1
Total		4,372	5,071	(699)

Commercial Papers

The payables represented by commercial papers relate to outstanding issuances at 2017 year-end in the context of the Euro Commercial Paper Programme (hereinafter, also “ECP Programme”), launched in 2005 by the Company and guaranteed by Enel S.p.A.

Under the ECP Programme the Company can issue short-term promissory notes issued in the interest-bearer form up to an amount of Euro 6.000 million. Each note can be denominated in any currency, with a minimum denomination of Euro 500.000 (or GBP 100.000, or USD 500.000, or JPY 100 million or its equivalent in the relevant currency) and a maturity between one day and one year. The notes may be issued on a discounted basis or may bear fixed or floating interest rate or a coupon calculated by reference to an index or formula, and are not listed on any stock exchange.

The total nominal value of commercial papers issued and not yet reimbursed as of 31 December 2017 was Euro 980 million (Euro 2,127 million at 31 December 2016).

16 Other current financial liabilities – Euro 368 million

Other current financial liabilities mainly related to interest expenses accrued on debt outstanding at 31 December 2017 increased by Euro 6 million as a result of decrease of interests arising from GMTN

Programme for Euro 27 million partly offset by increase of interests arising from loans granted by Group companies (Euro 21 million). All payments are expected within 12 months.

17 Related parties

Transactions between Enel Finance International N.V. and other companies of Enel Group involve Financing and Treasury management.

The main activity of Enel Finance International N.V. is to operate as financing company of the Enel Group, raising funds through bonds issuance, loans and other facilities and on turn lending the funds so raised to the companies belonging to Enel Group.

Enel Finance International N.V. is also part of the centralizing financial flow process and acts as the primary reference for the management of financial needs or liquidity generated by the entities that operate outside of Italy and are part of Enel Group.

The company enters into plain vanilla transaction with Enel S.p.A., such as currency forwards and cross currency interest rate swaps in order to mitigate the interest and exchange rates risks.

These transactions are part of the ordinary operations of the Company and are settled on the basis of Standard intra-Group contract market prices.

Enel Finance International N.V. has no business relations with Key management during the financial year.

The following table summarizes the financial relationships between the Company and its related parties at 31 December 2017 and 31 December 2016 respectively:

Millions of euro

		Receivables	Payables	Income	Cost
		at Dec. 31, 2017		2017	
Shareholder					
Enel S.p.A		3735	756	556	83
	(Subtotal)	*3,735*	*756*	*556*	*83*
Other affiliated companies					
E-distribuzione SpA		6,566	-	340	-
Enel Iberia, SRL		5,260	100	249	-
Enel Produzione S.p.A.		3,520	-	110	-
Enel Energia S.p.A.		-	500	-	-
Enel Servizio Elettrico S.p.A.		-	2,560	-	13-
Enel Trade SpA		500	-	18	-
EL PASO SOLAR SAS		2	-	-	-
Enel Investment Holding B.V.		0	1,087	1-	1
Enel Green Power Peru		81-	-	22-	24-
Energía Limpia de Am		97-	0	6-	7-
ENERNOC INC		365	0	0	0
ENDESA S.A.		3,018	-	92	0
EGP Bulgaria EAD		18	-	0	0
Enel Sole S.r.l.		101	-	2	0
Enel Green Power S.p.A.		3,484	4-	26	0
Enel Green Power Chile Ltda		0	65-	22	23
Enel Green Power Costa Rica		0	8	3	2
P.H. Chucas SA		119	0	7	16
Generadora Montecristo SA		0	34	9	5
Enel Green Power Mexico Srl de Cv		83	1	7	8
Proveedora de Electricidad de Occidente Srl de cv		13	5	5	7
Enel Green Power Panama SA		58	-	3	9
Enel Green Power Romania Srl		0	-	1	0
Enel Green Power Hellas Sa		270	-	24	0
Enel Green Power Canada Inc.		0	8	0	0
Enel Green Power North America Inc.		395	-	164	240
Kalenta SA		21	-	0	0
Enel Green Power Development B.V.					
Dominica Energia Limpia S. de R.L. de C.V.		259	-	10	17
Energias Renovables La Mata S.A.P.I. de C.V.		108	-	8	16
Enel Green Power Rsa (PTY) Ltd		29	-	16	1
Estrellada S.A.		44	-	3	6
Kongul Enerji Sanayi Ve Ticaret Anonim Sirketi		0	4	1	1
PARQUE EOLICO RENAICO SPA		537	0	37	74
Energia Limpia de Palo Alto, S. de R.L. de C.V.		111	-	8	17
Vientos de Altiplano, S. de R.L. de C.V.		91	-	7	14
Erdwärme Oberland Gm		0	1-	0	0
Villanueva Solar, S.		259	-	15	18
Enel OpEn Fiber S.p.A.		220	-	3	0
Parque Salitrillos, S.A. De C.V.		19	-	0	0
Proyecto Solar Don José, S.A. De C.V.		146	-	12	14
Proyecto Solar Villanueva Tres, S.A. De C.V.		206	-	19	22-
	(Subtotal)	*26,000*	*4,377*	*1,250*	*555*
Total		29,735	5,133	1,806	638

Millions of euro	Receivables	Payables	Income	Cost
	at Dec. 31, 2016		2016	
Shareholder	4406	733	87.35	59.48
Enel S.p.A	*4,406*	*733*	*87*	*59*
(Subtotal)	4406	733	87.35	59.48
Other affiliated companies				
Enel Distribuzione S.p.A.	5,566	-	340	-
Enel IberoAmerica S.A.	5,931	303	280	-
Enel Produzione S.p.A.	3,020	-	120	-
Enel Energia S.p.A.	-	500	-	
Enel Global Trading S.p.A.	1,205	-	29	-
Enel Servizio Elettrico S.p.A.	-	2,744	-	11
Enel Investment Holding B.V.	10	1,346	-	15
Marcinelle Energie S.A.	-	-	-	
Enel France S.A.			-	
Enel Green Power International B.V.			217	26
ENDESA S.A.	3,018	-	93	-
EGP Bulgaria EAD	23			
Enel Sole S.r.l.	101	-	3	-
Enel Green Power S.p.A.	1,204		4	
Enel Green Power Chile Ltda	705		32	3
Enel Green Power Costa Rica		6		
P.H. Chucas SA	136		6	-
Generadora Montecristo SA		29		
Enel Green Power Mexico	50	73		2
Proveedora de Electricidad de Occidente Srl de cv		41	4	2
Enel Green Power Panama SA	61		2	
Enel Green Power Romania Srl	52			
Enel Green Power Hellas SA	275		5	
Enel Green Power Canada Inc.		5		
Enel Green Power North America Inc.	769		28	
Enel Green Power Colombia SAS	7			
Kalenta SA	24			
Enel Green Power Development B.V.		2		
Dominica Energia Limpia S. de R.L. de C.V.	116		5	
Energias Renovables La Mata S.A.P.I. de C.V.	131		6	
Enel Green Power Rsa (PTY) Ltd	219		23	7
Estrellada S.A.	56		3	
Kongul Enerji Sanayi Ve Ticaret Anonim Sirketi	2	8		
PARQUE EOLICO RENAICO SPA	554		23	
Energia Limpia de Palo Alto, S. de R.L. de C.V.	140		5	
Vientos de Altiplano, S. de R.L. de C.V.	115		6	
Edwarme		13		
OpEn Fiber S.p.A.	125			
Endesa Latinoamérica S.A.			1	-
(Subtotal)	*23,613*	*5,071*	*1,233*	*66*
Total	28,019	5,804	1,321	125

For further details of the each relation with related parties please refer to paragraphs “4 Non-current financial assets”, 5 Current financial assets”, “9 Long-term loans and borrowings”, “10 Other non-current financial liabilities”, “11 Short-term loans and borrowings” and “12 Other current financial liabilities”.

18 Contractual commitments and guarantees

The notes issued by the Company under the GMTN programme are guaranteed by Enel S.p.A. Commercial papers issued the context of the Euro Commercial Paper Programme launched in 2005 by the Company are also guaranteed by Enel S.p.A. Furthermore, Enel S.p.A has confirmed their commitment to provide the Company with support until next year's approval of the financial statements, should the Company remain under control of the Enel S.p.A. The Company has not given guarantees to third parties up to the reporting date.

19 Compensation of Directors

The emoluments of the Company Directors as intended in Section 2:383 (1) of the Dutch Civil Code, which were charged in 2016, amounted to Euro 87 thousand (Euro 75 thousand in 2015) represented short'term employee benefits and summarized in the following table:

Thousands of euro

	31 Dec. 2017	31 Dec. 2016
A.J.M. Nieuwenhuizen	29	18.75
F. Mauritz	-	18.75
H. Marseille	29	18.75
E. Di Giacomo	29	18.75
A. Canta	-	-
Total	87	75

20 Fees of the auditors

Ernst & Young Accountants LLP has acted as external auditor for the company since 2011. With reference to Section 2:382 a (1) and (2) of the Netherlands Civil Code, below a summary is provided of services performed by Ernst & Young Accountants LLP and fees paid during the year:

Thousands of euro

	at Dec. 31, 2017	at Dec. 31, 2016
Audit	80	80
Audit related services in connection with GMTN prospectus	30	30
Audit related services in connection with demerger of EGPI BV	-	4
Tax	-	-
Other	-	-
Total	110	114

21 Subsequent events

On 16 January 2018 the Company placed its second green bond on the European market, reserved for institutional investors and backed by a guarantee issued by Enel.

The issue amounts to a total of 1,250 million euros and provides for repayment in a single instalment at maturity on 16 September 2026 and the payment of a fixed-rate coupon equal to 1.125%, payable annually in arrears in the month of September as from 2018. The issue price has been set at 99.184% and the effective yield at maturity is equal to 1.225%.

Amsterdam, 30 April 2018

A.J.M. Nieuwenhuizen
H. Marseille
E. Di Giacomo
A. Canta

Other information

Provisions in the articles of association governing the appropriation of profit

Under article 16 of the Company's articles of association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The Company can only make distributions to shareholders from profits qualifying for payment insofar as the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Report of the independent audit firm on the 2017 financial statements of Enel Financial International BV

The auditor’s report is set forth on the following page.

Ernst & Young Accountants LLP
Boompjes 258
3011 XZ Rotterdam, Netherlands
Postbus 2295
3000 CG Rotterdam, Netherlands

Tel: +31 88 407 10 00
Fax: +31 88 407 89 70
ey.com

Independent auditor's report

To: the shareholders and board of directors of Enel Finance International N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Enel Finance International N.V., based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Enel Finance International N.V. as at 31 December 2017 and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- The statement of financial position as at 31 December 2017
- The following statements for 2017: the statement of comprehensive income, the statement of changes in equity, the statement of cash flows
- The notes, comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Enel Finance International N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	€ 232,5 million
Benchmark applied	0.75% of total assets
Explanation	The main activity of Enel Finance International N.V. is to operate as a financing company of the Enel Group, raising funds from third party lenders through bonds issuance, loans and other facilities and in turn lending the funds raised to companies belonging to the

	Enel Group. Considering these financing activities, we consider the amount of total assets to be the most relevant benchmark for the stakeholders of the company.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of € 11,6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters are consistent with prior year,

Risk	Our audit approach	Key observations
Valuation of intercompany loans and other financial receivables The main activity of Enel Finance International N.V. ('the Company') is to operate as a financing company of the Enel Group, raising funds from third party lenders through bonds issuance, loans and other facilities and subsequently lending the funds raised to companies belonging to the Enel Group ('the Enel Group Companies'). The Company is exposed to the risk that an Enel Group Company defaults on meeting its obligations. As the loans to and receivables from the Enel Group Companies represent almost all assets of the Company, any impairment may have a material effect on the financial statements. To mitigate the risk, the Company obtained a support letter from the parent company (Enel S.p.A.), in which the parent Company confirmed its commitment to	Our audit response includes a consideration of the appropriateness of assumptions and estimates in relation to the recoverability of the Enel Group Companies loans and receivables. We challenged those assumptions and estimates based on, amongst others, our analysis of the financial position of significant Enel Group Companies and by identification of indicators of non-recoverability of intercompany loans and receivables including an assessment on whether Enel Group Companies throughout the year have not been able to meet their financial obligations towards the Company. Further we have assessed the ability of the parent Company to provide financial support.	Based on the procedures performed we concur with the board of directors that there is no objective evidence that triggers impairment of the loans and receivables portfolio.

Risk	Our audit approach	Key observations
provide the Company with financial support until next year's approval date of the financial statements, should the Company remain under the control of the Enel Group. The board of directors did not identify any objective evidence triggering that a loan might be impaired.		

Report on other information included in the annual report

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

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

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

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

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

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

Report on other legal and regulatory requirements

Engagement

We were engaged by the shareholder as auditor of Enel Finance International N.V. for the audit for the year 2011 and have operated as statutory auditor since that year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

Our services are only related to the audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

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

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, 30 April 2018

Ernst & Young Accountants LLP

P.A.E. Dirks