

**Interim Condensed Financial Statements
of Enel Finance International N.V.
at 30 June 2018**



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Interim Director's report

General information

The Management of the Company hereby presents its interim condensed financial statements for the period ended on 30 June 2018.

Enel Finance International N.V. ("the Company") is a public company with limited liability, where 74.99% of the shares are held by Enel Holding Finance S.r.l and 25.01% of the shares are held by Enel S.p.A., parents companies, having their seats 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 the 1st half of 2018

Issue of new green bond in Europe for Euro 1,250 million

On January 9, 2018 the Company successfully placed its second green bond on the European market. It is reserved for institutional investors and is backed by a guarantee issued by Enel.

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

The net proceeds of the issue – carried out under Euro Medium-Term Notes Program – will be used to finance and/or to be identified in accordance with the "Green Bond Principles" published by the International Capital Market Association (ICMA).

Novation of derivatives

The Company novated certain derivative operations entered into by Enel S.p.A. and market counterparties and contextually mirrored by means of intercompany operations between the Company and Enel S.p.A. with the same legal nature and financial conditions.

Enel S.p.A. has transferred by novation to the Company all the rights, liabilities, duties and obligations under and in respect of certain transaction, signed by Enel S.p.A. itself with the original banks.

The portfolio of derivative operations included cross currency interest rate swaps, linked to the notes issued by the Company in Swiss francs, Pound sterling, Japanese yen, and US dollars, interest rate swap linked to Euro notes and interest rate swaps negotiated to fix the interest rate of the long term funding activities scheduled for the future years.

Overview of the Company's performance and financial position

Analysis of the Company financial position

Millions of euro

	at Jun. 30, 2018	at Dec. 31, 2017	Change
Net non-current assets:			
-other non-current financial assets	48	41	7
-other non-current financial liabilities	(1,377)	(1,290)	(87)
Total net non-current assets/ (liabilities)	(1,329)	(1,249)	(80)
Net current assets:			
-net tax receivable/ (payable)	18	16	2
-other current financial assets	231	253	(22)
-other current activities	-	-	0
-other current financial liabilities	(461)	(404)	(57)
-other current liabilities	(2)	(4)	2
Total net current assets/ (liabilities)	(214)	(139)	(75)
Gross capital employed	(1,543)	(1,388)	(155)
Sundry provisions:			
-deferred tax assets/ (liabilities)	426	341	85
Total provisions	426	341	85
Net Capital Employed	(1,117)	(1,047)	(70)
Total Shareholders' Equity	1,646	1,863	(217)
Net financial debt	(2,763)	(2,910)	147

Net non-current liabilities totaled Euro 1,329 million, an increase of Euro 80 million compared with the end of the previous year, essentially reflecting the negative change of derivative fair value.

Net current liabilities were Euro 214 Euro compared with Euro 139 million at December 31, 2017. The change of Euro 75 million is largely attributed to increase of interest payables (Euro 80 million) and decrease of derivative fair value (Euro 27 million). These effects were partly offset by increase of other current financial assets (Euro 22 million), increase of accrued interest income (Euro 6 million), and increase of income tax receivables (Euro 2 million) and decrease of other current liabilities (Euro 2 million).

Total provisions amounted to Euro 426 million. An increase of Euro 85 million compared with December 31, 2017 is attributable to change in deferred taxes.

Net capital employed at June 30, 2018 amounted to a negative Euro 1,117 million and was funded by shareholders' equity in amount of Euro 1,646 million and negative net financial debt of Euro 2,763 million.

Debt to equity ratio at June 30, 2018 came to a negative 1.68 (negative 1.56 at December 31, 2017).

Net financial debt

Millions of euro

	at Jun. 30, 2017	at Dec. 31, 2017	Change
Long-term debt:			
- bonds	22,095	20,683	1,412
<i>Long-term debt</i>	22,095	20,683	1,412
- loans to Group companies	(20,713)	(20,397)	(317)
<i>Long term financial receivables</i>	(20,713)	(20,397)	(317)
Net long-term financial debt	1,381	286	1,095
Short-term debt/(liquidity):			
- bonds (short-term portion)	847	1,439	(592)
- l/t receivables due from Group companies (short-term portion)	(63)	(70)	7
<i>Current amount of long-term net financial debt</i>	784	1,369	(585)
- commercial paper	2,190	980	1,209
- short-term loans from Group companies	3,619	4,372	(752)
<i>Short-term loans</i>	5,809	5,352	457
- short-term financial receivables due from Group companies	(8,056)	(6,595)	(1,461)
- other sundry receivables	(787)	(531)	(256)
- financial Service Agreement with Enel S.p.A.	(1,838)	(2,480)	642
- cash and cash equivalents	(55)	(310)	255
<i>Cash and cash equivalents and short-term financial receivables</i>	(10,736)	(9,916)	(820)
Net short-term financial debt	(4,144)	(3,195)	(948)
NET FINANCIAL DEBT	(2,763)	(2,910)	147

Net financial debt amounting to a negative Euro 2,763 million at June 30, 2018, an increase of Euro 147 million compared with December 31, 2017.

Net long-term financial debt increased to Euro 1,095 million mainly to due to an increase of Euro 1,412 million in gross long-term debt partly offset by an increase of Euro 317 million in loans granted to Group companies.

With regards to bonds:

- ↳ the issue of green bonds amounting to Euro 1,236 million (net of issuing costs);
- ↳ exchange losses of Euro 268 million;
- ↳ amortised costs in amount of Euro 37 million;
- ↳ -partly offset by recalculation of amortised costs in amount of Euro 128 million based on application of IFRS 9.

With regards to Group loans:

- ↳ new loans granted to Group (Euro 947 million)
- ↳ reclassification to current portion in amount of Euro 23 million;
- ↳ early repayment of loans in amount of Euro 594 million;
- ↳ expected credit losses recognized at January 1, 2018 and totaled to Euro 53 million at June 30, 2018

`-exchange gain of Euro 40 million

The decrease was partly offset by the reclassification to short term of long-term loans and exchange rate gains during the period.

Net short-term financial debt showed a creditor position of Euro 4,144 million, an increase of Euro 948 million. This reflected:

- `- a repayment bonds denominated in Euro and Japanese Yen in amount of Euro 602 million partly offset by realized foreign exchange differences and amortised costs accrued for the period;
- `- a repayment of current portion of loans in amount of Euro 30 million;
- `- expected credit losses recognized at January 1, 2018 and totaled to Euro 38 million at June 30, 2018
- `- an issue of commercial papers of Euro 1,209 million;
- `- a decrease of deposits placed by Group companies (Euro 752 million);
- `- an increase of credit lines granted to Group Companies (Euro 1,461 million);
- `- an increase of cash collaterals paid to counterparties in over-the-counter derivative transaction on interest rates, exchange rates (Euro 256 million);
- `- a decrease of cash and cash equivalents (Euro 255 million) and repayments under service agreement with Enel S.p.A. (Euro 642 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.

Significant risks, risk appetite which could have a material effect on financial position and results as well as risk mitigation strategy have been described in the annual financial statements for 2017. Those categories and risks remain valid and should be read in conjunction with this interim report.

Related Parties

For a detailed discussion of transaction with related parties, please see note 17 to the interim condensed financial statements.

Outlook

The Company should evolve normally during the second half of 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 January 1, 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 defined 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 January 23, 2017)

The Company's control system

The appropriateness 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 commitment 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.

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 "Consolidated 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>).

Subsequent events

In July the activities concerning novation of certain derivatives operations with market counterparties and the termination of related intercompany operations have been mostly concluded

Personnel

At 30 June 2018 the Company employs nine people.

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 interim condensed 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 30 June 2018 and the developments during the financial period ended 30 June 2018;
- > the Director's Report describes the principal risks the Company is facing.

This interim condensed financial statements is prepared according to International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and it is externally not audited. 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 interim condensed financial statements electronically with the AFM (Autoriteit Financiële Markten) in the Netherlands within five days after their approval;
- > making its interim condensed financial report generally available to the public by posting it on Enel S.p.A. official website within 2 months after the end of first sixth months of the 2018 fiscal year (by 31 August 2018);

making its interim condensed 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 2 months after the end of first sixth months of the 2018 fiscal year (by 31 August 2018).

Amsterdam, 30 July 2018

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



Interim Condensed Financial statements

for the year ended 30 June 2018

**prepared in accordance with International
Financial Reporting Standards as adopted by
the European Union**

Statement of comprehensive income

Millions of euro	Note	1st half	
		2018	2017
Costs			
Services	1	(1)	(1)
Personnel	1	-	-
	<i>(Subtotal)</i>	(1)	(1)
Operating income		(1)	(1)
Financial income			
Financial income other than from derivatives	2	701	1,154
Financial income from derivatives	3	785	392
	<i>(Subtotal)</i>	1,486	1,546
Financial expense			
Financial expense other than from derivatives	2	(841)	(733)
Financial expense from derivative	3	(607)	(789)
	<i>(Subtotal)</i>	(1,448)	(1,522)
Net financial income/ (expense)		38	24
Income/(Loss) before taxes		37	23
Income Taxes	4	17	15
Net income/(loss) for the year (attributable to the shareholder)		20	8
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		(274)	164
Total comprehensive income/(loss) for the period		(255)	172

Statement of financial position

Millions of Euro

Note

		at Jun.30, 2018	at Dec. 31, 2017
ASSETS			
Non-current assets			
Deferred tax assets	5	426	341
Long-term loans and financial receivables	6	20,713	20,397
Derivatives	7	36	28
Other non-current financial assets	8	12	13
	<i>(Subtotal)</i>	21,187	20,779
Current assets			
Income tax receivable		18	16
Current portion of long-term loans and financial receivables	6	63	70
Short-term loans and financial receivables	9	9,895	9,076
Derivatives	7	29	79
Other current financial assets	10	988	705
Cash and cash equivalents	11	55	310
	<i>(Subtotal)</i>	11,048	10,256
TOTAL ASSETS		32,235	31,035
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	12	1,479	1,479
Other reserve	12	(136)	102
Retained earnings	12	282	378
Net income for the period	12	20	(96)
Total shareholder's equity		1,645	1,863
Non-current liabilities			
Long-term loans and borrowings	13	22,095	20,683
Derivatives	7	1,377	1,290
	<i>(Subtotal)</i>	23,472	21,973
Current liabilities			
Current portion of long-term loans	13	847	1,439
Short-term loans and borrowings	14	5,808	5,352
Derivatives	7	13	36
Other current financial liabilities	15	448	368
Other current liabilities		2	4
	<i>(Subtotal)</i>	7,118	7,199
TOTAL EQUITY AND LIABILITIES		32,235	31,035

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, 2017	1,479	1,026	(877)	333	45	2,006
Allocation of net income from the previous year	-	-	-	45	(45)	-
Comprehensive income for the year:	-	-	164	-	8	172
of which:						
- other comprehensive income (loss) for the period	-	-	164	-	-	164
- net income for period	-	-	-	-	8	8
At June 30, 2017	1,479	1,026	(713)	378	8	2,178
At January 1, 2018	1,479	1,026	(924)	378	(96)	1,863
Application of new accounting standards	-	-	-	36	-	36
Allocation of net income from the previous year	-	-	-	(96)	96	-
Comprehensive income for the year:	-	-	(274)	-	20	(254)
of which:						
- other comprehensive income (loss) for the period	-	-	(274)	-	-	(274)
- net income for period	-	-	-	-	20	20
At June 30, 2018	1,479	1,026	(1,198)	318	20	1,645

Statement of cash flows

Millions of euro	Note	1 st half	
		2018	2017
Income for the period		20	8
Adjustments for:			
Financial (income)	2,3	(1,486)	(1,546)
Financial expense	2,3	1,448	1,522
Income taxes	4	17	15
<i>Cash flow from operating activities before changes in net current assets</i>		<i>(1)</i>	<i>(1)</i>
(Increase)/Decrease in financial and non-financial assets/liabilities		(83)	251
Interest income and other financial income collected		242	593
Interest expense and other financial expense paid		(415)	(373)
Income taxes paid		(2)	13
Cash flows from operating activities (a)		(259)	483
<i>New loans granted to Enel S.p.A. and affiliates</i>		<i>(2,979)</i>	<i>(6,066)</i>
<i>Repayments and other movements from Enel S.p.A. and affiliates</i>		<i>1,893</i>	<i>2,021</i>
Cash flows from investing/disinvesting activities (b)		(1,086)	(4,045)
Financial debt (new borrowings)	13, 14	1,236	6,351
Financial debt (repayments and other changes)		(146)	(2,874)
Cash flows from financing activities (c)		1,090	3,477
Increase/(Decrease) in cash and cash equivalents (a+b+c)		(255)	(85)
Cash and cash equivalents at the beginning of the year		310	90
Cash and cash equivalents at the end of the year		55	5

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.

Enel Finance International N.V. (“the Company”) is a public company with limited liability, where 74.99% of the shares are held by Enel Holding Finance S.r.l and 25.01% of the shares are held by Enel S.p.A., parents companies, having their seats 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.

Accounting policies and measurement criteria

The interim condensed financial statements for the six months ended at 30 June 2018 have been prepared in compliance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) in effect at the same date. All of these standards and interpretations are hereinafter referred to as “IFRS-EU”.

More specifically, the interim condensed financial statements have been drawn-up in compliance with IAS 34 – Interim financial reporting and 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.

Please note that the Company adopts the half-year as the reference interim period for the purposes of applying IAS 34 and the definition of interim financial report specified therein.

The accounting standards adopted, the recognition and measurement criteria and methods used for the condensed interim financial statements at June 30, 2018 are the same as those adopted for the financial statements at December 31, 2017 (please see the related report for more information).

These condensed interim financial statements may therefore not include all the information required to be reported in the annual financial statements and must be read together with the financial statements for the year ended December 31, 2017.

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

Effect of the introduction of new accounting standards

With effect from January 1, 2018, the new standard IFRS 9 issued by the IASB took effect. First-time retrospective adoption led to the restatement of a number of balance sheet items at January 1, 2018, as the Company elected to exercise the option to use the simplification envisaged in the standards for first-time adopters.

"IFRS 9 – Financial instruments", issued in its definitive version on July 24, 2014, replaces the existing "IAS 39 - Financial instruments: Recognition and measurement" and supersedes all previous versions. The final version of IFRS 9 incorporates the results of the three phases of the project to replace IAS 39 concerning classification and measurement, impairment and hedge accounting.

'- "Classification and measurement": the procedures for classifying financial instruments provided for in IAS 39 were assessed in comparison with those envisaged under IFRS 9 (i.e., SPPI test and business model).

During the half year period, the Company analysed the situation impacted by the amendments, which:

a). 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 flows characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9.

b). clarify that the requirement of IFRS 9 for the adjustment of the amortised cost of a financial liability in the event of a modification (or an exchange) that does not result in derecognition are consistent with the analogous provisions for the adjustment of a financial assets. Accordingly, the new cash flows shall be discounted at the original effective interest rate and the difference between the pre-modification present value of the liability and the new value shall be recognised through profit or loss as at the date of the modification. In this regards,, the Company, with references to exchanges transacted in 2015 and 2016, applied the accounting treatment envisaged in the international best practice, in compliance with IAS 39, and did not recognise any income or losses through profit or loss as at the date of the contractual modifications, but amortised the over the residual life of the modified financial liability at the effective interest rate recalculated as at the date of the exchange. As the result of the early application of these amendments, the exchange have been accounted for using the new methods with effect as from January 1, 2018, restating the opening balances, which involved an increase in Group shareholders' equity and a concomitant decrease in net financial debt of Euro 128 million;

' - "Impairment": an analysis of impaired financial assets was conducted, with a focus on financial loans and receivables granted to Enel Group entities representing the majority of the Group's credit exposure. In particular, the assessment was performed on individual basis. The application of the new impairment model decreased the Company shareholders' equity at January 1, 2018 by Euro 92 million.

' - "Hedge accounting": specific activities were conducted to implement the new hedge accounting model, both in terms of effectiveness test and rebalancing hedge instruments, the most significant changes with respect to the hedge accounting model envisaged under IAS 39 regard the possibility of deferring the time value of an option, the forward component of a forward contract and currency basis spread (so-called "hedging costs") in other comprehensive income until the hedged element affects profit or loss. In practice, the reserve in other comprehensive income that contains the fair value of hedging instruments ("full" fair value) has been divided into two OCI reserves that report the "basis-free" fair value and the "basis spread element", respectively. The following table summarises the effects of that division:

Millions of Euro	at Jan.1, 2018
Derivatives - "full value"	(1,057)
Derivatives - "basis-free" value	(778)
Derivatives - basis spread element	(278)

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.

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 June, 30 2018. 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 June 30, 2018.

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 June 30, 2018.

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.

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. The Company's assets and liabilities are accounted for at amortised costs, and not impacted by changes in the level of interest rates.

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

<u>Interest rate risk sensitivity analysis</u>	at Jun.30, 2018				
	Interest Rates scenario	Pre-tax impact on income		Pre-tax impact on equity	
		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	(1)	1	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	25 bp	-	-	96,870	(96,870)

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.

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 carrying value of the Company's assets and liabilities denominated in foreign currencies are impacted following the exchange rate scenario disclosed (10%), the Company's income and equity before tax is impacted as follows:

Thousands of euro

<i>Foreign exchange risk sensitivity analysis</i>	at Jun.30, 2018				
	Exchange Rate scenario	Pre-tax impact on income		Pre-tax impact on equity	
		Euro Appr.	Euro Depr.	Euro Appr.	Euro Depr.
-					
Change in Fair value of Derivative financial instruments not qualifying for hedge accounting	10%	340,057	(415,285)	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	10%	-	-	(1,359,397)	1,661,557

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 June 30, 2018 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 2,189 million drawn at June 30, 2018 (Euro 980 million drawn at December 31, 2017).

Furthermore, Enel S.p.A. has confirmed through a letter dated January 17, 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 (1) million

Result from operating activities is negative for Euro 1 million in line with the same period of previous year.

2 Financial income/ (expense) other than from derivatives – Euro (140) million

Millions of euro	1st half		
	2018	2017	Change
Financial income:			
Interest income			
- interest income on long-term financial assets	482	496	(14)
- interest income on short-term financial assets	67	49	18
Total interest income	549	545	4
Impairment reversal of financial assets	2	-	2
Positive exchange rate differences	150	609	(459)
Total financial income other than from derivatives	701	1,154	(455)
Financial expense:			
Interest expense			
- interest expense on bank borrowings	(43)	(39)	(4)
- interest expense on bonds	(495)	(482)	(13)
- interest expense on commercial papers	5	1	4
Total interest expense	(533)	(520)	(13)
Negative exchange rate differences	(308)	(213)	(95)
Total financial expense other than from derivatives	(841)	(733)	(108)
Net financial income/ (expense) other than from derivatives	(140)	421	(561)

Interest income from assets amounted to Euro 549 million, having an increase by Euro 4 million on June 30, 2018 with the variation mainly attributed to a net effect of an increase of Euro 18 million in interest income gained from short-terms revolving credit lines and a decrease of Euro 14 million in interest income gained from long-term loans. The latter attributed to lower interest income due to an early repayment of loan granted to Enel Iberia S.r.l.

Interest expenses on financial debt totaled to Euro 533 million increased by Euro 13 million mainly due to an increase of Euro 109 million in interests expenses attributed to US bonds and Green bonds issued in 2017 and 1st half of 2018. The effect was partly offset by a decrease of Euro 41 million in interest expenses of bond repaid as a result of a make whole option execution and a decrease of Euro 55 million in interest expenses repaid in 2017.

The net foreign exchange losses totaled to Euro 158 million and mainly due to depreciation of bonds denominated in foreign currencies (Euro 268 million) and net exchange gains devoted to revolving facility agreements granted to Group affiliates and short term deposit agreement (Euro 110 million)

3. Financial income/(expense) from derivatives –Euro 178 million

Millions of euro	1st half		
	2018	2017	Change
Financial income from derivatives:			
- income from cash flow hedge derivatives	347	48	299
- income from derivatives at fair value through profit or loss	438	344	94
Total finance income from derivatives	785	392	393
Financial expense from derivatives:			
- expense from cash flow hedge derivatives	(16)	(598)	582
- expense from derivatives at fair value through profit or loss	(591)	(191)	(400)
Total financial expense from derivatives	(607)	(789)	182
Net income/(expense) from derivatives	178	(397)	575

Net income/ (expenses) from cash flow hedge derivatives totaled to Euro 331 million and concerned exchange rates (Euro 270 million) and net realized income (Euro 61 million), whereas derivatives at fair value through profit and loss generated a net loss of Euro 153 million.

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

4 Income tax (income)/expenses – Euro 17 million

Income tax totaled to Euro 17 million from which Euro 12 million referred to withholding tax.

Income tax accrued based on estimated average income tax rate 25%.

5 Deferred tax assets – Euro 426 million

At June 30, 2018 deferred tax assets in amount of Euro 426 million increased by Euro 85 million. Changes in deferred tax assets for the period is mainly attributed to changes in the value of financial derivatives recognized in equity as cash flow hedge.

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

The Company has recently working to renew Advanced Pricing Agreement with Dutch Tax Authorities. As soon as new agreement is signed and comes into force the Company will reassess recoverability of deferred tax assets based on the agreement.

6 Long-term loans and financial receivables including portion falling due within twelve month – Euro 20,713 million

Long-term financial receivables totaled to Euro 20,713 million, an increase of Euro 317 million compared to December 31, 2017. The change is mainly refer to:

• new loans granted to Enel S.p.A (Euro 750 million), to Enel Green Power S.p.A. (Euro 186 million) and El Paso Solar SAS (Euro 12 million).

• exchange gain of Euro 40 million

This increase was partly offset by:

• early repayment of loans by Enel Iberia S.r.l. (Euro 486 million), Dominica Energía Limpia S de RL de Cv (Euro 78 million) and Vientos de Altiplano, S. de R.L. de C.V. (30 million)

- reclassification to current portion in amount of Euro 23 million;

- impairment calculated in accordance with IFRS 9 and totaled to Euro 53 million at June 30, 2018

During 1st half of 2018 the fixed or floating interest rates varied from 0.51% to 10.17% (the same period of 2017: 0.92% to 10.17%) for loans nominated in EUR and from 3.27% to 8.37% (the same period of 2017: 3.49% to 7.31%) for loans nominated in USD.

7. Derivatives – Euro (1,325) 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.

Millions of euro	Non Current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	Jun.30, 2018	Dec. 31, 2017						
DERIVATIVE ASSETS								
Cash flow hedge								
on interest rate risk		-		-		-		-
on foreign exchange risk	241	234	34	26	303	299	13	7
Total	241	234	34	26	303	299	13	7
At fair value through profit or loss								
on interest rate risk	50	50	2	2		-		-
on foreign exchange risk		-		-	4,535	3,827	16	71
Total	50	50	2	2	4,535	3,827	16	71
TOTAL DERIVATIVE ASSETS	291	284	36	28	4,838	4,126	29	79
DERIVATIVE LIABILITIES								
Cash flow hedge								
on interest rate risk	6,841	8,091	236	209	-	-	-	-
on foreign exchange risk	11,853	11,594	1,137	1,075	-	85	-	14
Total	18,694	19,685	1,372	1,284	-	85	-	14
At fair value through profit or loss								
on interest rate risk	50	50	5	6		-		-
on foreign exchange risk		-		-	740	957	13	22
Total	50	50	5	6	740	957	13	22
TOTAL DERIVATIVE LIABILITIES	18,744	19,735	1,377	1,290	740	1,042	13	36

8 Other non-current financial assets – Euro 12 million

Other non-current financial assets totaled Euro 13 million as at June 30, 2018 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.

9 Short-term loans and financial receivables – Euro 9,895 million

Short-term revolving credit lines increased by Euro 819 million with respect to December 31, 2017.

The main financing facilities granted in the 1st half of 2018 concerned:

- EGP North America in amount of US 912 million (equivalent to Euro 751 million);
- Endesa SA in amount of Euro 700 million;
- Various Mexican Group entities in total amount of US 520 million (equivalent to Euro 429 million)
- EGP Peru in amount of US 129 million (equivalent to Euro 108 million);
- Open Fiber SpA in amount of Euro 30 million;
- Tynemouth Energy Storage Ltd in amount of GBP 5 million (equal to Euro 6 million);
- Estrellada SA in amount ZAR 239 million (equivalent to of 15 million);

The main repayments made in the 1st half of 2018 concerned:

- Enel SpA in amount Euro 642 million;
- Enel Trade SpA in amount of Euro 200 million;
- Enel Green Power SpA in amount of Euro 200 million;
- Enel X International in amount of Euro 227 million

Net foreign exchange gains totaled to Euro 85 million.

The impairment calculated in accordance with IFRS 9 and totaled to Euro 38 million at June 30, 2018.

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 30 June 2018	Rate of Interest	Spread as at 30 June 2018	Commitment fee as at 30 June 2018
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	800	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	[*]	3M Euribor	0.06%	N/A
Endesa S.A.	Revolving credit facility	1,000	3M Euribor	0.55%	35% of the margin
Open Fiber S.p.A	Revolving credit facility	250	1.625%		0.525%
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	131.65	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	1.8	3M Euribor	1.60%	35% of the margin
e-distribuzione S.p.A.	Revolving credit facility	1,000	3M Euribor	0.40%	35% of the margin
EnerNOC Korea Limited	Revolving credit facility	5	3M Euribor	1.00%	35% of the margin
Millions of USD					
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	3M US Libor	1.40%	35% of the margin
Enel Green Power North America Inc.	Revolving credit facility	950	3M US Libor	1.10%	35% of the margin
EnerNOC, Inc.	Revolving credit facility	175	3M US Libor	1.35%	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 Amistad II, S.A. de C.V.	Revolving credit facility	90	3M US Libor	3.50%	35% of the margin
Parque Amistad III, S.A. de C.V.	Revolving credit facility	30	3M US Libor	3.50%	35% of the margin
Parque Amistad IV, S.A. de C.V.	Revolving credit facility	30	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
EGP Magdalena Solar, S.A. de C.V.	Revolving credit facility	15	3M US Libor	3.50%	35% of the margin
Dolores Wind, S.A. de C.V.	Revolving credit facility	45	3M US Libor	3.50%	35% of the margin
Enel Rinnovabile S.A. de C.V.	Revolving credit facility	20	3M US Libor	3.50%	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
Enel Green Power Colombia S.A.S.	Revolving credit facility	6	3M US Libor	1.90%	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					
Enel Green Power RSA (Pty) Ltd	Revolving credit facility	1,500	3M Jibar	160.00%	35% of the margin
Millions of RON					
Enel Green Power Romania Srl	Revolving credit facility	100	3M Robor	1.40%	35% of the margin
Millions of GBP					
Tynemouth Energy Storage Limited	Revolving credit facility	11	GBP LIBOR 3M	2.70%	35% of the margin

10 Other current financial assets – Euro 988 million

Millions of euro

	at Jun.30, 2018	at Dec. 31, 2017	Change
Cash collaterals	786	530	256
Current financial accrued income	180	174	6
Other current financial receivables	22	1	21
Total current financial assets	988	705	283

Other current financial assets increased by Euro 283 million comparing with December 31, 2017 due to combined effect of an increase of cash collateral paid to counterparties in over-the-counter derivatives transactions on interest rates and exchange rates; an increase of Group financial receivables and an increase of accrued income related to the long-term loan and short-term credit lines granted to Enel Group affiliate.

At June 30, 2018 current financial assets do not have impaired items.

11 Cash and cash equivalents – Euro 55 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.

12 Shareholder's equity – Euro 1,645 million

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.

Other reserves – Euro (136) million

Merger reserve – 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).

Cash flow hedge reserve – Euro (1,198) 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 basis spread element at June 30, 2018 totaled to Euro 334 million.

Reserve for change in accounting policies – Euro 36 million

The reserve reflects the impact of the adoption of IFRS 9:

`- the adjustment of the amortised costs of financial liabilities in the event of exchange (Euro 128 million)

`- the application of new impairment model (negative Euro 92 million)

Retained earnings – Euro 282 million

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

Capital Management

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 Jun. 30, 2018	at Dec. 31, 2017
Total Equity	1,645	1,863
Cash flow hedge reserve	(1,198)	(924)
Adjusted equity	2,843	2,787
Net financial result	20	(96)
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 1st half of 2018. The Company is not subject to externally imposed capital requirements.

13 Long-term loans and borrowings (including the portion falling due within twelve months for Euro 847 million) – Euro 22,942 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 following table reports a breakdown of bonds outstanding and the fair value at June 30, 2018.

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

		Carrying amount	Fair value	Portion falling due after more than 12 months	Current portion	Carrying amount	Fair value
Maturing		at Jun. 30, 2018			at Dec. 31, 2017		
Bonds:							
-listed, fixed rate	2018-2040	13,366	15,387	12,520	846	12,802	15,310
-listed, floating rate	2022-2025	446	492	446	-	446	503
-unlisted, fixed rate	2022-2047	9,130	9,122	9,130	-	8,874	9,666
Total bond	2018-2047	22,942	25,001	22,096	846	22,122	25,478

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

Millions of Euro

	Jun. 30, 2018		Dec. 31, 2017	Jun. 30, 2018	
	Carrying amount	Nominal value	Carrying amount	Current average interest rate	Effective interest rate
<i>Total Euro</i>	10,637	11,237	10,003	3.30%	4.17%
US dollar	8,941	9,007	8,688	4.17%	4.33%
British pound	2,514	2,539	2,510	5.70%	5.82%
Swiss Franc	695	696	687	2.37%	2.42%
Japanese yen	155	155	233	3.25%	3.29%
<i>Total non-Euro currencies</i>	12,305	12,397	12,118		
Total	22,942	23,634	22,121		

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

Millions of Euro

	Nominal value	New financing	Repayments	Exchange rate differences	Nominal value
	Dec.31, 2017				Jun.30, 2018
Bonds in non-Euro currencies and Euro currency	22,706	1,254	(602)	276	23,634
Total long-term financial debt	22,706				23,634

Compared with December 31, 2107, the nominal value of long-term debt increased by total of Euro 928 million, which is the net effect of Euro 1,254 million in new financing, Euro 602 million in repayments and Euro 276 million in estimated and realized exchange rate losses.

The main issues made in the 1st half of 2018 concerned to Euro 1,250 million in respect of Green Bond, maturing in 2026 and payment of a fixed-rate coupon equal to 1.125%.

Main repayments made in the 1st half of 2018 concerned:

- Repayment of JPY 11,500 million (equivalent to Euro 90 million)
- Repayment of Euro 512 million

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. For more detailed description, please see the 2017 financial statements

To date none of the covenants have been breached.

14 Short-term loans and borrowings – Euro 5,808 million

At June 30, 2018, short-term debt totaled to Euro 5,808 million, an increase of Euro 456 million with respect to December 31, 2017, as detailed below.

Millions of Euro			
	at Jun.30, 2018	at Dec. 31, 2017	Change
	Book value	Book value	Book value
Short-term borrowings from Enel Group companies	3,619	4,372	(753)
Commercial papers	2,189	980	1,209
Short-term financial debt	5,808	5,352	456

The payables represented by *commercial papers* relate to outstanding issuances at June 30, 2018 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 value of commercial papers issued and not yet reimbursed as of June 30, 2018 was Euro 2,189 million (Euro 980 million at December 31, 2017).

Short-term borrowings from Enel Group companies decreased by Euro 753 million due to a combined effect of new borrowings and repayments

Main repayments made in the 1st half of 2018 were made to:

- ˆ Enel Investment Holding B.V. in amount of Euro 1,085 million;
- ˆ Enel Servizio Elettrico S.p.A. in amount of Euro 265 million;
- ˆ Enel Iberia S.r.l. in amount of 29 million;
- ˆ Enel Green Power Canada Inc in amount of CAD 7 million (equal to Euro 4 million)

Main borrowings made in the 1st half of 2018 were made from:

- ˆ Enel Energia S.p.A in amount of Euro 500 million;
- ˆ Proveedora de Electricidad de Occidente S de RL de Cv in amount of US 5 million and MXN 1,032 million (equal to Euro 49 million);

`- Enel Green Power Romania S.r.l. in amount of RON 200 million (equal to Euro 43 million);

`-Enel Green Power Chile Ltda in amount of US 22 million (equal to Euro 18 million);

`- Enel Servicii commune in amount of RON 50 million (equal to Euro 11 million);

Foreign exchange losses totaled to Euro 10 million

15 Other current financial liabilities – Euro 448 million

Other current financial liabilities totaled to Euro 448 million, an increase of Euro 80 million, mainly referred to interest expenses accrued on debt outstanding at June 30, 2018.

16 Assets and liabilities measured at fair value

In compliance with the disclosure requirements under paragraph 15B 9(k) of IAS 34, the Company determines fair value in conformity with IFRS 13 any time that treatment is required by an international accounting standard.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, as the measurement date (i.e. as exit price).

The best proxy for fair value is market price, i.e. the currently available price that is effectively quoted on a liquid and active market.

The fair value of assets and liabilities is classified in a three-level hierarchy, defined as follows on the basis of the inputs and valuation techniques used to measure the fair value:

`- Level 1, where the fair value is determined on basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

`- Level 2, where the fair value is determined on basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

`- Level 3, where the fair value is determined on the basis of unobservable inputs.

There were no changes in the level of the fair value hierarchy used for purposes of measuring financial instruments compared with the most recent annual report. The methods used in measuring Level 2 and 3 fair value are consistent with those used in the most recent annual report.

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 June 30, 2018 and June 30, 2017 respectively:

Millions of euro

	Receivables at Jun. 30, 2018	Payables	Income 1 st half 2018	Cost
<i>Shareholder</i>				
Enel S.p.A	3,816	256	40	35
(Subtotal)	3,816	256	40	35
<i>Other affiliated companies</i>				
E-distribuzione SpA	6,561		169	
Enel Iberia, SRL	4,763	72	115	-1
Enel Produzione S.p.A.	3,513		56	
Enel Energia S.p.A.		1,000		
Enel Servizio Elettrico S.p.A.		2,295		7
Enel Global Trading S.p.A.	301		1	
EL PASO SOLAR SAS	14		1	
Enel Green Power Perú	193		10	2
Energia Limpia de Amistad, S. de R.L. de C.V.	239		17	1
ENERNOC INC	138		5	
ENDESA S.A.	3,714		46	1
EGP Bulgaria EAD	15		0	
Enel Sole S.r.l.	101		1	
Enel Green Power S.p.A.	2,777	1	11	
Enel Green Power Chile Ltda		91	4	10
Enel Green Power Costa Rica		5		1
P.H. Chucas SA	115		7	
Generadora Montecristo SA		41	0	3
Enel Green Power Mexico Srl de Cv	109	1	7	
Provedora de Electricidad de Occidente Srl	8	57	3	6
Enel Green Power Panama SA	57		3	
Enel Green Power Romania Srl		43		
Enel Servicii Comune SA		11		
Enel Green Power Hellas Sa	266		9	-1
Enel Green Power Canada Inc.		8		
Enel Green Power North America Inc.	1,187		65	6
Kalenta SA	20			
Dominica Energia Limpia S. de R.L. de C.V.	184		11	-12
Energias Renovables La Mata S.A.P.I. de C.V.	99		7	6
Enel Green Power Rsa (PTY) Ltd	41		2	3
Estrellada S.A.	44		3	
Kongul Enerji Sanayi Ve Ticaret Anonim Sirketi			2	
PARQUE EOLICO RENAICO SPA	547		33	
Energia Limpia de Palo Alto, S. de R.L. de C.V.	110		7	-1
Vientos de Altiplano, S. de R.L. de C.V.	62		4	2
Tynemouth Energy Storage Limited	6			
ESTRELLA SOLAR	3			
Villanueva Solar, S.	351		24	4
Enel OpEn Fiber S.p.A.	249		3	0
Parque Salitrillos, S.A. De C.V.	76		4	2
Proyecto Solar Don José, S.A. De C.V.	213		13	-1
Enel Green Power Colombia SAS	3			
Proyecto Solar Villanueva Tres, S.A. De C.V.	254		13	-2
Enel Rinnovabile, S.A. de C.V.	4		1	0
Dolores Wind, S.A. de C.V.	8			1
Parque Amistad II, S.A. de C.V.	12		-2	-3
Enel X International srl	2		1	-2
EGP Magdalena Solar, S.A. de C.V.	1			
Enel Holding Chile Srl	686		2	7
(Subtotal)	27,046	3,628	658	39
Total	30,862	3,884	698	74

Millions of euro	Receivables	Payables	Income	Cost
	at Jun.30, 2017		1 st half 2017	
<i>Shareholder</i>				
Enel S.p.A.	6,388	595	74	33
	(Subtotal)	6,388	74	33
Other affiliated companies				
Enel Distribuzione S.p.A.	6,565		168	
Enel Energia S.p.A.		500		
Enel Iberia Srl	5,260	339	129	
Enel Produzione S.p.A.	3,520		55	
Enel Servizio Elettrico S.p.A.		2,525		6
Enel Sole S.r.l.	101		1	
Enel Global Trading S.p.A.	706		11	
Enel Investment Holding B.V.	1	937		1
EGP Bulgaria EAD	19			
Enel Green Power S.p.A.	2,967	7	8	
Enel Green Power Chile Ltda		17	10	11
Enel Green Power Costa Rica		2		
P.H. Chucas SA	130		3	10
Generadora Montecristo SA		46	4	1
Enel Green Power Mexico	41	1	3	4
Provedora de Electricidad de Occidente Srl de cv	13	1	1	3
Enel Green Power Panama SA	66		2	6
Enel Green Power Romania	11		1	
EGP HELLAS	274		11	
Enel Green Power Canada Inc.		7		
Enel Green Power North America Inc.	879		25	80
ENDESA S.A.	3,016		45	
Enel Green Power Peru S.A.	26		2	4
Kalenta SA	24		1	
Enel Green Power Development B.V.		2		
Dominica Energia Limpia S. de R.L. de C.V.	102		4	9
Energias Renovables La Mata S.A.P.I. de C.V.	117		5	10
Enel Green Power Rsa (PTY) Ltd	8		14	1
Enel Green Power Turkey Enerji Yatirimlari AS	2			
Estrellada S.A.	52		2	4
Kongul Enerji Sanayi Ve Ticaret Anonim Sirketi		5		
PARQUE EOLICO RENAICO SPA	565		20	47
Energia Limpia de Palo Alto, S. de R.L. de C.V.	123		4	11
Vientos de Altiplano, S. de R.L. de C.V.	101		4	9
Enel OpEn Fiber S.p.A.	140		1	
Villanueva Solar S.A. de C.V.	36			1
Proyecto Solar Villanueva Tres S.A. de C.V.	44		1	2
Proyecto Solar Don JosÁ© S.A. de C.V.	26		1	1
Energia Limpia de Amistad, S. de R.L. de C.V.	12			
	(Subtotal)	24,945	537	220
Total	31,334	4,985	611	253

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 in 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 1st half of 2018, amounted to Euro 43,5 thousand (Euro 36 thousand in 1st half of 2017) represented short-term employee benefits and summarized in the following table:

Thousands of euro

	30 Jun. 2018	30 Jun.2017
A. Canta	-	-
E. Di Giacomo	14,5	9
H. Marseille	14,5	9
F. Mauritz	-	9
A.J.M. Nieuwenhuizen	14,5	9
Total	43,5	36

20 Subsequent events

In July the activities concerning novation of certain derivatives operations with market counterparties and the termination of related intercompany operations have been mostly concluded

Amsterdam, 30 July 2018

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