Annual Report
of Enel Finance International N.V.
at December 31, 2019

Contents

Director’s report

General information

The Management of the Company hereby presents its financial statements for the financial year ended on 31 December 2019.

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.

Enel S.p.A. is the ultimate controlling shareholder of the Company.

The Company is registered with the trade register of the Dutch chamber of commerce under number 34313428. The Company operates as a financing company y 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 2019

Issue of new green bond in Europe for Euro 1,000 million

On January 14, 2019 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 amounts to a total of Euro 1,000 million and provides for repayment in a single instalment at maturity on July 21, 2025 and the payment of a fixed-rate coupon equal to 1.500%, payable annually in arrears in the month of July as from 2019. The issue price has been set at 98.565% and the effective yield at maturity is equal to 1.736%. The settlement date for the issue is January 21, 2019.

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).

The world's first "general purpose SDG linked bond" on the US and international markets

On September 5, 2019 the Company launched a single-tranche "sustainable" bond for institutional investors on the US and international markets totaling USD 1,500 million, equivalent to about Euro 1,359 million and linked to SDG 7 "Affordable and clean energy".

The operation has been structured as a single tranche paying a rate of 2.650% maturing September 10, 2024. The issue price has been set at 99.879% and the effective yield at maturity is equal to 2.676%. The settlement date for the issue is September 10, 2019. The issue is guaranteed by Enel.

To hedge forex exchange risk on new bond issue the Company entered into currency interest rate swaps.

The world's first "general purpose SDG linked bond" on the European market

On October 10, 2019 launched a multi-tranche "sustainable" bond for institutional investors on the European market totaling 2.5 billion euros. The bond is linked to the achievement of the United Nations Sustainable Development Goals (SDGs) and is the Group's first "General Purpose SDG Linked Bond" issued on the European market.

The issue is structured in the following tranches:

- Euro 1,000 million at a fixed rate of 0.00%, maturing June 17, 2024 and linked to SDG 7 "Affordable and clean energy":
    - the issue price was set at 99.123% and the effective yield at maturity is equal to 0.189%;
    - the interest rate will remain unchanged to maturity subject to achievement of the sustainability target indicated under point i. above as of December 31, 2021;
    - if that target is not achieved, a step-up mechanism will be applied, increasing the rate by 25 bps as of the first interest period subsequent to the publication of the auditor's assurance report.
- Euro 1,000 million at a fixed rate of 0.375%, maturing June 17, 2027 and linked to SDG 7 "Affordable and clean energy":
    - the issue price was set at 99.257% and the effective yield at maturity is equal to 0.474%;
    - the interest rate will remain unchanged to maturity subject to achievement of the sustainability target indicated above as of December 31, 2021;
    - if that target is not achieved, a step-up mechanism will be applied, increasing the rate by 25 bps as of the first interest period subsequent to the publication of the auditor's assurance report.
- Euro 500 million at a fixed rate of 1.125%, maturing October 17, 2034 and linked to SDG 13 "Climate action":
    - the issue price was set at 98.922% and the effective yield at maturity is equal to 1.204%;
    - the interest rate will remain unchanged to maturity subject to achievement of the sustainability target as of December 31, 2030;
    - if that target is not achieved, a step-up mechanism will be applied, increasing the rate by 25 bps as of the first interest period subsequent to the publication of the report issued by a third-party expert charged with validating the methodology for measuring CO_2 emissions applied by the Group

Lending Operations

During the reporting year the Company has resolved to enter as lender into several new intercompany financial agreements to support mainly the growth of the investments in the renewable energy sector.

Please see a disclosure of long-term and short-term financial instruments granted to Enel Group Companies in the notes 6 and 9 of the financial statements.

Overview of the Company’s performance and financial position

Analysis of the Company financial position

Millions of euro

	at Dec. 31, 2019	at Dec. 31, 2018	Change
Net non-current assets:			
-other non-current financial assets	534	152	382
-other non-current financial liabilities	(899)	(1,145)	246
Total net non-current assets/ (liabilities)	**(365)**	**(993)**	**628**
Net current assets:			
-net tax receivable/ (payable)	(16)	(1)	(15)
-other current financial assets	240	292	(52)
-other current activities	-	-	-
-other current financial liabilities	(423)	(456)	33
-other current liabilities	(1)	(2)	1
Total net current assets/ (liabilities)	**(200)**	**(167)**	**(33)**
Gross capital employed	**(565)**	**(1,160)**	**595**
Sundry provisions:			
-deferred tax assets/ (liabilities)	318	311	7
Total provisions	**318**	**311**	
Net Capital Employed	**(247)**	**(849)**	**602**
Total Shareholders' Equity	**1,870**	**1,745**	**124**
Net financial debt	**(2,117)**	**(2,595)**	**478**

The net non-current liabilities at 31 December 2019 decreased by Euro 628 million compared to 31 December 2018 mainly due to the positive change of fair value of derivatives (Euro 656 million) partly offset by increase of financial prepaid expenses (Euro 28 million).

Net current liabilities totaled Euro 200 million with an increase of Euro 33 million compared to 31 December 2018 mainly due to a decrease of interest receivables (Euro 40 million), an increase of tax payable (Euro 15 million) and decrease of other current assets (Euro 4 million). This increase was partly offset by a decrease of derivatives (Euro 15 million), a decrease of interests accrued for bonds and deposits (Euro 9 million) and a decrease of other payables (Euro 2 million).

Deferred taxes increased by Euro 7 million reflecting temporary differences in cash flow hedge transaction accrued directly in other comprehensive income and temporary differences attributed to impairment of financial assets accrued in profit and loss.

Net capital employed stood at negative 247 million at 31 December 2019, up Euro 602 million compared to the same period of 2018. The variation is due to the decrease of the Net Financial Debt (Euro 478 million) and increase of shareholders’ equity (Euro 124 million).

The debt-to-equity ratio at 31 December 2019 came to a negative 113% (negative 149% at 31 December 2018).

Net financial debt

Millions of euro

	at Dec. 31, 2019	at Dec. 31, 2018	Change
Long-term debt:			
- bonds	30,066	25,466	4,600
Long-term debt	*30,066*	*25,466*	*4,600*
- loans to Group companies	(24,398)	(18,629)	(5,769)
Long term financial receivables	*(24,398)*	*(18,629)*	*(5,769)*
Net long-term financial debt	**5,668**	**6,837**	**(1,169)**
Short-term debt/(liquidity):			
- bonds (short-term portion)	674	125	549
- l/t receivables due from Group companies (short-term portion)	(2,544)	(4,833)	2,289
Current amount of long-term net financial debt	*(1,870)*	*(4,708)*	*2,838*
- commercial paper	500	1,454	(954)
- short-term loans from Group companies	2,547	3,909	(1,362)
Short-term loans	*3,047*	*5,363*	*(2,316)*
- short-term financial receivables due from Group companies	(3,333)	(7,105)	3,772
- cash collateral on derivatives	(283)	(932)	649
- other sundry receivables	-	(18)	18
- financial Service Agreement with Enel S.p.A.	(5,136)	(1,931)	(3,205)
- cash and cash equivalents	(210)	(101)	(109)
Cash and cash equivalents and short-term financial receivables	*(8,962)*	*(10,087)*	*1,125*
Net short-term financial debt	**(7,785)**	**(9,432)**	**1,647**
NET FINANCIAL DEBT	**(2,117)**	**(2,595)**	**478**

Net financial debt amounting to negative Euro 2,177 million at 31 December 2019 (Euro 2,595 million at 31 December 2018).

Net long-term financial debt totaled to Euro 5,668 million, having a sharp increase by Euro 1,169 million due to an increase of long-term debt (Euro 4,600 million) and a decrease of long-term financial receivables (Euro 5,769 million).

Bonds stood at Euro 30,066 million increased by Euro 4,600 million mainly due to new issuance (Euro 4,868 million), negative foreign exchange effect (Euro 372 million) on the outstanding bonds denominated in non-Euro currencies and amortised costs (Euro 34 million) partly offset by reclassification due to at maturity 2019 within the current financial liabilities (Euro 674 million).

Long-term financial receivables totals to Euro 24,398 million increased by Euro 5,769 million compared to the same period of 2018 mainly due to loans granted to the Enel Iberia SLU (Euro 4,404 million), Enel Spa (Euro 2,000 million), Enel Green Power Spa (Euro 1,015 million), Enel Chile (Euro 352 million), Slovak Power Holding BV (Euro 106 million), other Group Companies in Mexico (Euro 352 million), El Paso Solar SAS (Euro 39 million), Cohuna Solar Farm Trust (Euro 19 million) and foreign exchange effect (Euro 39 million). Such increase was partly offset by reclassification of the current portion of loans (Euro 2,544 million), impairment (Euro 13 million).

Net short-term financial liquidity decreased by Euro 1,647 million to Euro 7,785 million with the change principally referring to:

- repayment of current portion of loans (Euro 4,833 million)
- reclassification of bond within the current financial liabilities (Euro 674 million);
- decrease of outstanding amount of revolving lines granted to Group companies and other receivables (Euro 3,772 million);
- decrease of cash collaterals on (Euro 649 million);
- decrease of other receivables (Euro 18 million);

This decrease was partly offset by

- repayment of commercial papers (Euro 954 million)
- decrease of deposits placed by Group companies (Euro 1,362 million)
- increase of cash and cash equivalents (Euro 109 million)
- increase of service agreement with Enel Spa (Euro 3,205 million)
- reclassification of current portion of long-term loans (Euro 2,544 million);
- repayment of bonds (Euro 125 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

Enel Finance International N.V. ("EFI") adopts risk governance and control arrangements defined at Group level, applicable for all wholly owned companies and companies with controlling interest, with specific reference to financial risks (market, credit and liquidity risks). In order to mitigate its risk exposure, the Company conducts specific analysis, monitoring, management and control activities.

The Company operates within Treasury Guidelines, which provide capital markets and treasury operational framework. Based on current power of attorney, hedging 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 reasonable assurance that risks are properly assessed and managed to achieve business objectives.

The most significant risks and the risk reduction measures taken

The Company is willing to bear a low-to-moderate level of residual risk for those factors that are intrinsically related to the pursuit of its mission of providing financial services, including funding, lending and liquidity management, to Enel Group companies, namely liquidity, interest rate, foreign exchange, credit and counterparty risk.

Additionally, the Company, as a global issuer, is exposed to compliance risks with applicable laws and regulation, as well as fiscal risk. No risk appetite is defined for compliance risks and the Company control activities aim at ensuring full compliance.

Financial risks

Credit risk and counterparty risk

Lending and hedging transactions expose the Company to credit and counterparty risk, i.e. the possibility of a deterioration in the creditworthiness of its counterparties that could have an adverse impact on the expected value of the creditor position or could lead to a failure to honor their obligations.

The lending activity is the most important source of credit risk, and, for the very nature of its activity, the Company is prepared to bear a medium level of risk. Nevertheless, such level of risk is significantly mitigated as borrowers are related parties.

The Company has a consistent counterparty risk exposure to banking counterparties, stemming from derivative transactions traded for hedging purposes and short term treasury activity. The Company has a very low appetite to counterparty risk and pursues risk mitigation through the selection of counterparties with a high credit standing and the adoption of specific standardized contractual frameworks that contain risk mitigation clauses and possibly the exchange of cash collateral.

Liquidity risk

Liquidity risk is the risk that the Company, while solvent, would not be able to discharge its obligations in a timely manner or would only be able to do so on unfavourable terms owing to situations of tension or systemic crises (credit crunches, sovereign debt crises, etc.) or changes in the perception of Company riskiness by the market.

Among the factors that define the risk perceived by the market, the credit rating assigned to Enel Finance International NV by rating agencies plays a decisive role, since it influences its ability to access sources of financing and the related financial terms of that financing. A deterioration in the credit rating could therefore restrict access to the capital market and/or increase the cost of funding, with consequent negative effects on the performance and financial situation of the Company. In 2019, Fitch revised its rating for Enel upwards, from "BBB+" to "A-". Moody's also improved its outlook for Enel's rating from stable to positive during the year. Accordingly, at the end of the year, Enel's rating was: (i) "BBB+" with a stable outlook for Standard & Poor's; (ii) "A-" with a stable outlook for Fitch; and (iii) "Baa2" with a positive outlook for Moody's.

EFI liquidity risk management policies are designed to maintain a level of liquidity sufficient to meet its obligations over a specified time horizon, without having recourse to additional sources of financing, as well as to maintain a prudential liquidity buffer sufficient to meet unexpected obligations. In addition, in order to ensure that the Company can meet its medium and long-term commitments, EFI pursues a borrowing strategy that provides for a diversified structure of financing sources to which it can turn and a balanced maturity profile.

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

Exchange rate

Due to its international funding and lending activity, the Company is significantly exposed to exchange rate risk associated with cash flows and value of financial assets and liabilities denominated in foreign currencies.

Consistently with Enel Group risk policy and with the Company low risk appetite, the currency profiles of funding and lending portfolios are balanced by making recourse to derivative transactions, with the aim of minimizing the residual exposure.

Interest rate risk

The Company is exposed to the risk that changes in the level of interest rates could produce unexpected changes in net financial expense or the value of financial assets and liabilities measured at fair value, related to its funding, lending and hedging portfolios.

The exposure to interest rate risk derives mainly from the variability of the terms of financing and lending, in the case of new issues, and from the variability of the cash flows of floating-rate assets and liabilities.

The policy for managing interest rate risk aims to contain financial expense and its volatility by optimizing the Company's portfolio of financial assets and liabilities and by entering financial derivatives on OTC markets.

A certain level of interest rate risk is intrinsic in the Company's mission and has be actively managed to ensure value creation.

Compliance risks

<u>Fiscal risk</u>

The Company may be subject to unfavorable 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 adopts a conservative approach based on an open collaboration with tax authorities.

Compliance with current legislation

The Company is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards. Internal monitoring activities allow prompt identification of possible breaches of compliance and consequent remediation actions, when needed.

Compliance with bond and loan agreements

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

Internal monitoring activities allow prompt identification of possible breaches of compliance and consequent remediation actions, when needed.

Brexit

The decision of the United Kingdom to leave the European Union ("Brexit") is not expected to have material direct impacts on the financial or economic position of the Company, given that the latter is not present in the United Kingdom and risks related to transactions with English counterparties, under English law or in this jurisdiction are not considered significant.

Summary table

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

Risk area	Risk component	Source of risk	Risk control	Risk appetite	Risk mitigation	Impact of Company's results after risk mitigation
Financial risks	Credit and counterparty risk	Lending activity Cash deposits, derivatives	Financial Risk Policy	**Medium**	Related parties High credit profile, cash collaterals	**Low**
	Liquidity risk	Different maturity of funding and lending facilities Liquidity surplus	Financial Risk Policy Monthly analysis of funding-lending cash flows	**Medium**	Matching of short-term cash-in and cash-out Available credit lines Sufficient level of available cash and cash equivalents	**Low**
	Exchange rate	Non-Euro denominated funding and lending	Financial Risk Policy Treasury Guidelines	**Medium**	Full hedging policy with derivatives	**Low**
	Interest rate	Floating rate facilities Future unknown market conditions	Financial Risk Policy Treasury guidelines	**Low** **Medium**	Hedging policy with derivatives	**Low** **Medium**
compli ance risks	Fiscal	Change in applicable tax laws or policy	Collaboration with tax authorities	**Nil**	Collaboration and regular reconciliations with tax authorities	**Very low**

				Monitoring of significant changes	
Compliance with current legislation	Remote cases of systems disruption, new business processes to be integrated within existing compliance processes, possible regulatory uncertainties	Internal control system	**Nil**	Permanent improvement of internal control system and procedures	**Very low**
Compliance with bond and loan agreements	Covenants	Covenants monitoring	**Nil**	Preventive analysis of covenants compliance	**Very low**

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

In 2019 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 2019 risk was fully covered by corresponding derivatives.

	at Dec. 31, 2019					
million euro	Gross debt			Derivatives	After risk mitigation	
	Book value	Notional value				
Euro	**13,547**	**14,082**	**44.86%**	**17,309**	**31,391**	**100.00%**
US dollar	14,155	14,247	45.39%	(14,247)	0	0.00%
British pound	2,619	2,643	8.42%	(2,643)	0	0.00%
Swiss franc	419	419	1.33%	(419)	0	0.00%
Total Non-Euro	**17,193**	**17,309**	**55.14%**	**(17,309)**	**0**	**0.00%**
Total	**30,740**	**31,391**	**100.00%**	**0**	**31,391**	**100.00%**

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 2019 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	at Dec. 31, 2019			
	Before risk mitigation		After risk mitigation	
Floating rate	450	1.4%	50	0.2%
Fixed rate	30,941	98.6%	31,341	99.8%
Total	**31,391**	**100.0%**	**31,391**	**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 2020, with the aim to maintain the same funding and lending activities currently ongoing, keeping on supporting Enel Group in its developing and consolidation process.

The outbreak of Coronavirus does not impact the assessment of the ability to continue as a going concern. Notwithstanding in a context of greater uncertainty and volatility it is not possible to make a reasonable estimate of the quantitative impact.

Board of Directors composition

The Company's organization is characterized by a Board of Directors charged with managing the Company and a Shareholders' Meeting.

The Company is a so-called Public Interest Entity ("Organisatie van Openbaar Belang") which requires the establishment of an audit committee. The Company however makes use of the exemption in Article 3(a) of the Dutch Decree on the Audit Committee ("Besluit instelling auditcommissie") as foreseen in Article 39(3)(a) of Directive 2006/43/CE, as amended by Directive 2014/56/EU of the European Parliament and of the Council, as its Parent Company (Enel S.p.A.) is an entity that fulfils the requirements set out in paragraphs 39(1), (2) and (5) of Directive 2006/43/CE, as amended by Directive 2014/56 EU, Article 11(1), Article 11(2) and Article 16(5) of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Pursuant to Article 19, subsection 2 of Italian Legislative Decree 39/2010 - as amended by Legislative Decree 135/2016, implementing Directive 2014/56 EU - the audit committee of Enel S.p.A. coincides with the "collegio sindacale" (board of statutory auditors).* According to the legislation in force, the members of the board of statutory auditors of Enel S.p.A. must possess the requisites of integrity, professionalism and independence imposed upon the statutory auditors of listed companies, as supplemented (only as regards the professionalism requisites) by specific provisions of the bylaws.

The gender diversity within the Board members of the Company is currently 20%. 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.

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 23.01.2017)

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.

On 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.

Subsequent events

COVID-19

The beginning of 2020 is characterised by the spread of COVID-19 initially appeared in China and then got around Europe, the United States, as well as Latin America and Africa. The safety and well-being of people is the top priority. The Company is doing its best to ensure business continuity and the teams are tirelessly working to help to mitigate the risks.

Currently the management is closely monitoring any financial impact attributable to the Covid-19 pandemic. More specifically, no significant impacts are expected in 2020 on instruments measured at fair value and on the expected credit losses.

The outbreak of Coronavirus does not impact the assessment of the ability to continue as a going concern. Notwithstanding in a context of greater uncertainty and volatility it is not possible to make a reasonable estimate of the quantitative impact.

It is considered as a non-adjusting event for the financial statement position for the financial statements 2019.

Financial assets sale and new loan to Enel Italia S.p.A.

In line with the rationalization of the corporate structure of the Enel Group in Italy, aiming to separate the resources dedicated to the management of the various Italian businesses from the global functions and foreign investments, on 1 January 2020 Enel Spa transferred a portion of the debt due to Enel Finance International N.V. to Enel Italia S.p.A - sub-holding company under direct control of Enel S.p.A.

On 20 April 2020 Boar of Directors of Enel Finance International N.V. approved the transfer of long-term loans granted to E-Distribuzione S.p.A, Enel Produzione S.p.A and Enel Sole S.p.A. to Enel Italia S.p.A. with total value of Euro 8,526 million.

At the same date a new long-term loan was granted to Enel Italia S.p.A with the total amount up to Euro 6,500 million

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 2019 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).

Personnel

At 31 December 2019 the Company had, other than the directors, eleven employees (eight people at 31 December 2018). Average headcount comprised ten people (ten people for the 2018). All people worked in the Netherlands.

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 2019 and the developments during the financial year 2019;

> 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 5 months after the end of the 2019 fiscal year (by 31 May 2020);

> 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 5 months after the end of the 2019 fiscal year (by 31 May 2020).

Amsterdam, 18 May 2020

E. Di Giacomo
A. Canta
J. Homan

H. Marseille
A.J.M. Nieuwenhuizen

Financial statements

for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Statement of comprehensive income

Millions of euro	Note	2019	2018
Costs			
Services	1	(2)	(2)
Personnel	1	(1)	(1)
	(Subtotal)	**(3)**	**(3)**
Operating income		**(3)**	**(3)**
Financial income			
Interest income	2	1,285	1,173
Financial income from derivatives	3	900	1,311
Other financial income	2	265	325
	(Subtotal)	**2,450**	**2,809**
Financial expense			
Interest expense	2	(1,249)	(1,117)
Financial expense from derivative	3	(511)	(974)
Other financial expense	2	(538)	(558)
	(Subtotal)	**(2,298)**	**(2,649)**
Net financial income/ (expense)		**152**	**160**
Income/(Loss) before taxes		**149**	**157**
Income Taxes	4	69	58
Net income/(loss) for the year (attributable to the shareholder)		**80**	**99**
Other components of comprehensive income recyclable to profit or loss in future periods:			
- effective portion of change in fair value of cash flow hedges net of deferred taxes	17	(27)	(298)
- Change in the fair value of costs of hedging net of deferred taxes	17	72	54
Total comprehensive income/(loss) for the period		**125**	**(145)**

Statement of financial position

Millions of Euro	Note		
ASSETS		**at Dec.31, 2019**	at Dec.31, 2018
Non-current assets			
Deferred tax assets	5	327	324
Long-term loans and financial receivables	6	24,398	18,629
Derivatives	7	493	141
Other non-current financial assets	8	41	11
	(Subtotal)	**25,259**	**19,105**
Current assets			
Current portion of long-term loans and financial receivables	6	2,544	4,833
Short-term loans and financial receivables	9	8,469	9,036
Derivatives	7	23	31
Other current financial assets	10	793	1230
Other current assets		1	4
Cash and cash equivalents	11	210	101
	(Subtotal)	**12,040**	**15,235**
TOTAL ASSETS		**37,299**	**34,340**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	12	1,479	1,479
Share premium reserve	12	1,026	1,026
Cash flow hedge reserve	12	(1,041)	(1,014)
Cost of hedging reserve	12	(82)	(154)
Retained earnings	12	408	309
Net income for the period	12	80	99
Total shareholder's equity		**1,870**	**1,745**
Non-current liabilities			
Long-term loans and borrowings	13	30,066	25,466
Deferred tax liabilities	5	9	13
Derivatives	7	841	1,145
Other non-current financial liabilities	8	59	0
	(Subtotal)	**30,975**	**26,624**
Current liabilities			
Income tax payable		17	1
Current portion of long-term loans	13	674	125
Short-term loans and borrowings	14	3,339	5,387
Derivatives	7	5	27
Other current financial liabilities	15	418	429
Other current liabilities		1	2
	(Subtotal)	**4,454**	**5,971**
TOTAL EQUITY AND LIABILITIES		**37,299**	**34,340**

Statement of changes in equity

Millions of euro

	Share capital	Share premium reserve	Cash flow hedge reserve	Costs of hedging reserve	Retained earnings	Net income for the period	**Equity attributable to the shareholders**
At January 1, 2018	**1,479**	**1026**	**(716)**	**(208)**	**405**	**(96)**	**1,890**
Allocation of net income from the previous year	-	-	-		(96)	*96*	-
Comprehensive income for the year:	-	-	(298)	54	-	-	(244)
of which:							
- other comprehensive income (loss) for the period	-	-	*(298)*	*54*	-	-	*(244)*
- net income for period	-	-			-	*99*	*99*
At January 1, 2019	**1,479**	**1,026**	**(1,014)**	**(154)**	**309**	**99**	**1,745**
Allocation of net income from the previous year	-	-	-	-	99	(99)	-
Comprehensive income for the year:	-	-	(27)	72	-	-	45
of which:							
- other comprehensive income (loss) for the period	-	-	*(27)*	*72*	-	-	*45*
- net income for period	-	-	-	-	-	*80*	*80*
At December 31, 2019	**1,479**	**1,026**	**(1,041)**	**(82)**	**408**	**80**	**1,870**

Statement of cash flows

Millions of euro	Note	2019	2018
Income for the period		**80**	**99**
Adjustments for:			
Financial (income)	2,3	(2,450)	(2,809)
Financial expense	2,3	2,298	2,649
Income taxes	4	69	58
Cash flow from operating activities before changes in net current assets		*(3)*	*(3)*
(Increase)/Decrease in financial and non-financial assets/liabilities		390	(17)
Interest income and other financial income collected		1,294	1,441
Interest expense and other financial expense paid		(1,182)	(1,791)
Income taxes paid		(7)	(3)
Cash flows from operating activities (a)		**492**	**(373)**
New loans granted to Enel S.p.A. and affiliates		*(7,476)*	*(4,585)*
Repayments and other movements from Enel S.p.A. and affiliates		*4,666*	*1,650*
Cash flows from investing/disinvesting activities (b)		**(2,810)**	**(2,935)**
Financial debt (new borrowings)	13,14	4,868	5,155
Financial debt (repayments and other changes)	13,14	(2,441)	(2,050)
Cash flows from financing activities (c)		**2,427**	**3,105**
Increase/(Decrease) in cash and cash equivalents (a+b+c)		109	(209)
Cash and cash equivalents at the beginning of the year		**101**	**310**
Cash and cash equivalents at the end of the year		**210**	**101**

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.

Enel S.p.A. is the ultimate controlling shareholder of the Company.

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 2019 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 16 March 2020

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, measured at fair value;
- Financial assets and financial liabilities measured 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.

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 4 March 2020 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 and management judgments

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

Expected credit losses on financial assets

Loss allowances for financial assets are based on assumptions about risk of default and on the measurement of expected credit losses. Management uses judgement in making these assumptions and selecting the inputs for the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Determining the fair value of financial instruments

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

Recovery of deferred tax assets

The financial statements report deferred tax assets in respect of income components whose deductibility is deferred in an amount whose recovery is considered by management to be highly probable.

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

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies and the tax rates applicable at the date of reversal.

Classification and measurement of financial assets

At initial recognition, in order to classify financial assets as financial assets at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss, management assesses both the contractual cash flows characteristics of the instrument and the business model for managing financial assets in order to generate cash flows.
For the purpose to evaluate the contractual cash flows characteristics of the instrument, management performs the "SPPI test" at an instrument level, in order to define if it gives rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, performing specific assessment on the contractual clauses of the financial instruments, as well as quantitative analysis, if required.

The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Hedge Accounting

Hedge accounting is applied to derivatives in order to reflect into the financial statements the effect of risk management strategies.

At such regard, the Company documents at the inception of the transaction the hedge relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Company also assesses, both at hedge inception and on an ongoing basis, whether hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

Based on management judgement, the effectiveness assessment based on the existence of an economic relationship between the hedging instruments and the hedged items, on the dominance of credit risk on the value changes and on the hedge ratio, as well as the measurement of the ineffectiveness, is evaluated through a qualitative assessment or a quantitative computation, depending on the specific facts and circumstances and on the characteristics of the hedged items and the hedging instruments.

For cash flow hedges of forecast transactions designated as hedged items, management assesses and documents that they are highly probable and present an exposure to changes in cash flows that affect profit or loss.

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.

Fair value measurement

For all fair value measurements and disclosures of fair value, that are either required or permitted by international accounting standards, the Company applies IFRS 13.

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

The fair value measurement assumes that the transaction to sell an asset or transfer a liability takes place in the principal market, i.e. the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place in the most advantageous market to which the entity has access, i.e. the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Market participants are independent, knowledgeable sellers and buyers who are able to enter into a transaction for the asset or the liability and who are motivated but not forced or otherwise compelled to do so.

When measuring fair value an entity shall take into account the characteristics of the asset or liability, in particular:

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

> for liabilities and own equity instruments, the fair value reflects the effect of non-performance risk, i.e the risk that an entity will not fulfill an obligation, including but not limited to the entity's own credit risks;

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

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

Financial instruments

Financial instruments are any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity; they are recognised and measured in accordance with IAS 32 and IFRS 9.

A financial asset or liability is recognised in the financial statements when, and only when, the Company becomes party to the contractual provision of the instrument (trade date).

Conversely, the Company initially measures financial assets other than trade receivables at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets are classified, at initial recognition, as financial assets at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss, on the basis of both Company's business model and the contractual cash flows characteristics of the instrument.

For this purposes, the assessment in order to define if the instrument give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- financial assets at fair value through profit or loss.

Financial assets measured at amortised cost

This category mainly includes trade receivables, other receivables and financial receivables.

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and whose contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such assets are initially recognised at fair value, adjusted for any transaction costs, and subsequently measured at amortised cost using the effective interest method and are subject to impairment.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets

At the end of each reporting date, the Company recognizes a loss allowance for expected credit losses on trade receivables and other financial assets measured at amortised cost and all other assets in the scope of IFRS 9 expected credit loss model.

The Company impairment model is based on the determination of expected credit losses (ECL) using a forward- looking approach. In essence, the model provides for:

- the recognition of expected credit losses on an ongoing basis and the updating of the amount of such losses at the end of each reporting period, reflecting changes in the credit risk of the financial instrument;

- the measurement of expected losses on the basis of reasonable information, obtainable without undue cost, about past events, current conditions and forecasts of future conditions.

For all financial assets, other than trade receivables, the Company applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, loss allowance on financial assets is recognized at an amount equal to the lifetime expected credit losses, if the credit risk on those financial assets has increased significantly, since initial recognition, considering all reasonable and supportable information, including also forward-looking inputs.

If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Company measures the loss allowance for those financial assets at an amount equal to 12-month expected credit losses.

For financial assets on which loss allowance equals to lifetime expected credit losses has been recognized in the previous reporting date, the Company measures the loss allowance at an amount equal to 12-month expected credit losses when significant increase in credit risk condition is no longer met.

The Company recognizes in profit or loss, as impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with IFRS 9.

The loss allowances for financial assets are based on assumptions about risk of default and expected credit losses. The Company uses judgement in making these assumptions and selecting the inputs for the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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 at amortised cost

This category mainly includes borrowings, trade payable and debt instruments.

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

Derecognition of financial assets and liabilities

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

- the contractual right to receive the cash flows associated with the asset expires;
- the Company has transferred substantially all the risks and rewards associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to pay such cash flows to one or more beneficiaries under a contract that meets the requirements provided by IFRS 9 (the "pass through test");
- the Company has not transferred or retained substantially all the risks and rewards associated with the asset but has transferred control over the asset.

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

When an existing financial asset or liability is replaced by another from the same borrower or lender on substantially different terms, or the terms of an existing asset or liability are substantially modified, such an exchange or modification is treated as the derecognition of the original asset or liability and the recognition of a new asset or liability. The difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments

A derivative is a financial instrument or another contract:

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

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

For more details about hedge accounting, please refer to the note 17 "Derivatives and hedge accounting".

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

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

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 Statement of comprehensive income, 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 and Standards issued but not yet effective

New accounting standards applied in 2019

The Company has applied the following new standards, interpretation and amendments that took effect as from January 1, 2019:

- "IFRS 16 – *Leases*", issued on January 2016, which replaces "IAS 17 – *Leases*", "IFRIC 4 – *Determining whether an Arrangement contains a Lease*", "SIC 15 – *Operating Leases-Incentives*" and "SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*".

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.
The application of this interpretation did not have an impact in the financial statements.

- "Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement", issued in February 2018.

When an amendment, curtailment or settlement of a defined benefit plan occurs during the annual reporting period, the amendments specify that, for the remainder of the annual reporting period, an entity shall determine:

- current service cost using the actuarial assumptions used to remeasure the net defined benefit liability (asset); and

- net interest using the net defined benefit liability (asset) remeasured and the discount rate used to remeasure the net defined benefit liability (asset).

The amendments also clarify that the past service cost (or the gain/loss on settlement) is calculated ignoring the effect of the asset ceiling that is determined in a second step and is recognized in the normal manner in other comprehensive income. The amendments do not address the accounting for "significant market fluctuations" in the absence of a plan amendment, curtailment or settlement.

The application of this interpretation did not have an impact in the financial statements.

- "Amendments to IAS 28 – Long-term interests in associates and joint ventures", issued in October 2017; the amendments clarify that an entity applies IFRS 9 Financial Instruments to non-current interests in associates and joint ventures to which the equity method is not applied.

The application of this interpretation did not have an impact in the financial statements.

- 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 application of this interpretation did not have an impact in the financial statements.

- "Annual improvements to IFRSs 2015 – 2017 cycle", issued in December 2017; the document contains formal modifications and clarifications of existing standards. More specifically, the following standards were amended:

  - "IFRS 3 – Business Combination"; the amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring its entire previously held interests in the assets and liabilities of the joint operation at the acquisition-date fair value. These amendments apply to business combinations for which the acquisition date is on or after 1 January 2019.

  - "IFRS 11 – Joint Arrangements"; the amendments clarify that when an entity obtains joint control of a joint operation that constitutes a business (as defined in IFRS 3), it should not remeasure its previously held interests in that joint operation. These amendments apply to transactions in which it obtains joint control on or after 1 January 2019.

  - "IAS 12 – Income Taxes"; the amendments clarify that the income tax consequences when the entity recognizes a liability to pay a dividend are linked more directly to past transactions or events that generated distributable profits than distributions to owners. Therefore, the related income tax consequences of dividends shall be recognized in income statement, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  - "IAS 23 – Borrowing Costs"; the amendments clarify that an entity treats as part of general borrowings any specific borrowing, originally made to develop a qualifying asset, that remain outstanding when substantially all the activities necessary to prepare that asset for its intended use or sale are complete. These amendments apply to borrowing costs incurred on or after 1 January 2019.

The application of this interpretation did not have an impact in the financial statements.

Standards issued but not yet effective

Below is a list of accounting standards, amendments and interpretations that will be effective for the Group after December 31, 2019:

- "Amendments to References to the Conceptual Framework in IFRS Standards", issued in March 2019. The document sets out amendments to affected standards in order to update references to the revised Conceptual Framework. These amendments accompany the latest version of "Revised Conceptual Framework for Financial Reporting", issued in March 2018 that includes some new concepts, provides updated definitions and recognition criteria and clarifies some important concepts.

- "Amendments to IFRS 3 – Definition of a business", issued in October 2018 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments will take effect, subject to endorsement, for annual period beginning on or after 1 January 2020, with earlier application permitted.

- "Amendments to IAS 1 and IAS 8 – Definition of Material", issued in October 2018 in order to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The amendments will take effect for annual period beginning on or after 1 January 2020, with earlier application permitted.

- "Amendments to IFRS 9, IAS 39, IFRS 7 - Interest Benchmark Rate Reform" providing some reliefs to hedge accounting provisions and some additional disclosures during the transition period (i.e. until an alternative official Interest Benchmark Rate is set). At such regard, it should be noted that, the Reform will affect the fair value measurement, the hedge accounting effects and the net financial results, when the alternative rates will be set. The amendments will take effect for annual period beginning on or after 1 January 2020.

- "Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture", issued in September 2014. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3). The IASB has deferred the effective date of these amendments indefinitely, but if the amendments are applied early, them must be applied prospectively.

- "Amendments to IAS 1 - Classification of Liabilities as Current or Non-current", issued in January 2020. The amendments affect requirements in IAS 1 for the presentation of liabilities. More in detail, the amendments clarify:

  - the criteria for classifying a liability as current or non-current, specifying that an entity's right to defer settlement must exist at the end of the reporting period;
  - that classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability;
  - how lending conditions affect classification; and
  - that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments will be effective, subject to endorsement, for annual period beginning on or after 1 January 2022, with earlier application is permitted.

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 mitigate this risk, 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 2019. The fair value of over the counter (OTC) instruments is calculated with standard pricing models for each instrument typology.

The transactions compliant with IFRS 9 requirements can be designated as cash flow hedge, otherwise are classified as trading.

Interest rate risk

Interest rate risk is the risk born 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 notional amount of outstanding contracts is reported below.

Millions of euro	Notional amount	
	2019	2018
Interest rate derivatives:		
Interest rate swap	3,703	6,438
Total	**3,703**	**6,438**

For more details, please refer to the note 16 and 17.

At 31 December 2019, 1.71 % of gross long term debt towards third parties was floating rate (1.98 % at 31 December 2018). 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. 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

Interest rate risk sensitivity analysis		**2019**			
		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 interest expense related to floating-rate financial receivables after hedging	25 bp	18,540	(18,540)		
Change in Fair value of Derivative financial instruments not qualifying for hedge accounting	25 bp	(97)	97	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	25 bp	-	-	15,884	(15,884)

Thousands of euro

Interest rate risk sensitivity analysis		**2018**			
		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 interest expense related to floating-rate financial receivables after hedging	25 bp	11,064	(11,064)		
Change in Fair value of Derivative financial instruments not qualifying for hedge accounting	25 bp	(79)	79	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	25 bp	-	-	64,254	(64,254)

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.

Millions of euro	Notional amount	
	2019	2018
Foreign exchange derivatives:		
Currency forwards:	3,341	3,445
Cross currency interest rate swaps	17,310	17,855
Total	**20,651**	**21,300**

For more details, please refer to the note 16 and 17.

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

Foreign exchange risk sensitivity analysis		**2019**			
		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%	215,305	(262,887)	-	-
Change in Fair value of Derivative Financial instruments designated as hedging instruments	10%	-	-	(2,047,060)	2,501,834

Thousands of euro

Foreign exchange risk sensitivity analysis		**2018**			
		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%	-	-	(1,555,682)	1,901,312

Credit risk

The Company's financial operations expose it to credit risk, i.e. the possibility that a deterioration in the creditworthiness of a counterparty has an adverse impact of the expected value of the creditor position.

The exposure to credit risk is attributable to Lending and hedging transactions.

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 in different countries and regions to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Finally, with regard to derivative transactions, risk mitigation is pursued with a uniform system for assessing counterparties, as well as with the adoption of specific risk mitigation clauses (e.g. netting arrangements) and possibly the exchange of cash collateral.

The Company's maximum exposure to credit risk for the components of the Balance Sheet at 31 December 2019 and 2018 is the carrying amounts as illustrated in Note 6, 9, 10 and 17.

Credit risk measurement

The Expected Credit Loss (i.e. ECL), determined considering Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), is the difference between all contractual cash flows that are due in accordance with the contract and all cash flows that are expected to be received (i.e., all short falls) discounted at the original EIR.

The Company allies general approach for calculating ECL. This approach, based on an assessment of any significant increase in credit risk since initial recognition, is performed comparing the PD at origination with PD at the reporting date. Then, based on the result of the assessment, a loss allowance is recognised based on 12-month ECL or lifetime ECL (i.e. staging):

- for financial assets for which there has not been a significant increase in credit risk since initial recognition;
- lifetime ECL, for financial assets for which there has been a significant increase in credit risk or which are credit impaired (i.e., defaulted based on past due information).

EAD is established on a quarterly basis using outstanding exposure data. PD and LGD are determined at least annually.

Probability of Default (PD) indicates the likelihood that a counterparty will default within one-year time horizon.

The Company defines a default to have occurred when:

- the counterparty is overdue by more than 90 days; or
- the Company considers the borrower to be unlikely to meet its contractual obligations;
- besides mandatory triggers, judgmental triggers also apply.

The PD is estimated mainly in relation to the creditworthiness of each counterparty. The Company computes the PD as the average of the PD provided by the major rating agencies (e.g. Standard & Poor's, Moody's) for each credit score, updated on yearly basis. Internal methodology to assess the creditworthiness considers qualitative and quantitative information in order to reflect possible future events and macroeconomic scenarios, which may affect the risk of the portfolio or the financial instrument.

Rating	Moody's PD %	Standard&Poors PD%	PD%
Aaa/AAA	0.00	0.00	0.00
Aa1/AA+	0.00	0.00	0.00
Aa2/AA	0.00	0.02	0.01
Aa3/AA-	0.04	0.03	0.04
A1/A+	0.07	0.05	0.06
A2/A	0.05	0.06	0.06
A3/A-	0.05	0.06	0.06
Baa1/BBB+	0.12	0.10	0.11
Baa2/BBB	0.16	0.16	0.16
Baa3/BBB-	0.24	0.24	0.24
Ba1/BB+	0.43	0.32	0.38
Ba2/BB	0.74	0.53	0.64
Ba3/BB-	1.36	0.95	1.16
B1/B+	1.99	2.01	2.00
B2/B	3.00	3.41	3.21
B3/B-	4.90	6.75	5.83

Exposure at Default (EAD) estimates the expected exposure at the time of a counterparty default and contains the carrying exposure at the reporting date net of eventual cash deposits obtained as guarantees or, in some cases, as the amortized cost

Loss Given Default (LGD) consider each specific exposure at default, date of default, guarantee and deposit information, recovery rate (portfolio or benchmark), credit insurance and legal/post default classification details.

The LGD used is based on Basel standard percentage of 45%.

The Company uses qualitative triggers to determine whether a financial instrument should be classified as stage 1 or stage 2. The Company is monitoring the status of borrower and the instruments is transferred from stage 1 to stage 2 if the credit risk increases and there is a significant past due. A transfer to stage 3 will always be the result of default of the financial instrument.

The following table provides information about the exposure to credit risk and ECL, measured on an individual basis, for financial assets subject to impairment other than trade receivables and contract assets:

Millions of euro	**at Dec. 31, 2019**				
Staging	Basis for recognition of expected credit loss provision	Weighted average expected credit loss rate (PD*LGD)	Gross carrying amount	Impairment loss allowance	Net amount
Performing	12 m ECL	-0.15%	35,463	(52)	35,411
Underperforming	Lifetime ECL	-	-	-	-
Non-performing	Lifetime ECL	-	-	-	-
Total			**35,463**	**(52)**	**35,411**

Millions of euro			Dec. 31, 2018		
Staging	Basis for recognition of expected credit loss provision	Weighted average expected credit loss rate (PD*LGD)	Gross carrying amount	Impairment loss allowance	Net amount
Performing	12 m ECL	0.14%	32,545	(47)	32,498
Underperforming	Lifetime ECL	-	-	-	-
Non-performing	Lifetime ECL	-	-	-	-
Total			**32,545**	**(47)**	**32,498**

The table below reports the movement in expected credit loss that has been recognized for financial assets measured at amortised cost

Millions of euro	
	2019
Impairment allowance as at 1 January 2019	**(47)**
Impairment losses recognised in profit or loss	(32)
Reversal of impairment losses in profit or loss	27
Exchange rate differences	-
Impairment allowance as at 31 December 2019	**(52)**

Impairment allowance as at Dec. 31, 2017	**0**
Recognition of expected credit losses under IFRS 9 as at Jan.1, 2018	(92)
Impairment losses recognised in profit or loss	(20)
Reversal of impairment losses in profit or loss	68
Other changes	(3)
Impairment allowance as at Dec 31., 2018	**(47)**

Liquidity risk

Liquidity risk manifests itself as uncertainty about the Company's ability to discharge its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company manages liquidity risk by implementing measures to ensure an appropriate level of liquid financial resources minimizing the associated opportunity cost and maintaining a balanced debt structure in terms of its maturity profile and funding sources.

In the short term, liquidity risk is mitigated by maintaining an appropriate level of unconditionally available resources.

In the long term, liquidity risk is mitigated by maintaining a balanced debt maturity profile for our debt, access to a range of resources of funding sources on different markets, in different currencies and with different counterparties.

The mitigation of liquidity risk enables the Company to maintain a credit rating that ensures access to the capital market and limits the cost of funds, with a positive impact on its performance and financial position.

The Company holds the following undrawn lines of credit

Millions of euro	**at Dec. 31, 2019**		at Dec. 31, 2018	
	Expiring within one year	**Expiring beyond one year**	Expiring within one year	Expiring beyond one year
Committed credit lines		5,000		5,000
Commercial paper	5,500		4,546	
Total	5,500	5,000	4,546	5,000

Furthermore, Enel S.p.A. has confirmed through a letter dated March 2020 its commitment to explicitly provide the Company with the financial support until the date of approval of full year 2020 financial statements of the Company.

Maturity analysis

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

	Maturing in					
Millions of Euro	**2020**	**2021**	**2022**	**2023**	**2024**	**Beyond**
Bond						
Listed Bond (Fixed rate)	674	533	2077	974	3,456	8,769
Listed Bond (Floating rate)			150	150	100	50
Unlisted Bond (Fixed rate)			1831	2,226	1,336	9,066
Total Bond	**674**	**533**	**4,058**	**3,350**	**4,892**	**17,885**

Notes to the financial statements

1 Result from operating activities – Euro (3) million

Result from operating activities is negative for Euro 3 million in line with the previous year and refer to services (mainly related to legal and consultancy charges) for Euro 2 million and to personnel costs for Euro 1 million.

2 Financial income/ (expense) other than from derivatives – Euro (237) million

Millions of euro

	2019	2018	Change
Financial income:			
Interest income			
- interest income on long-term financial assets	1,048	987	61
- interest income on short-term financial assets	237	186	51
Total interest income	1,285	1,173	112
Other financial income			
- positive exchange rate differences	265	325	(60)
Total other financial income	265	325	(60)
Total finance income other than from derivatives	**1,550**	**1,498**	**52**
Financial expense:			
Interest expense			
- interest expense on borrowings	(82)	(84)	2
- interest expense on bonds	(1,170)	(1,041)	(129)
- interest expense on commercial papers	3	8	(5)
Total interest expense	(1,249)	(1,117)	(132)
Other financial expenses			
Impairment	(5)	48	(53)
Negative exchange rate differences	(533)	(606)	73
Total other financial expense	(538)	(558)	20
Total financial expense other than from derivatives	**(1,787)**	**(1,675)**	**(112)**
Net financial income/ (expense) other than from derivatives	**(237)**	**(177)**	**(60)**

Interest income from assets amounted to Euro 1,285 million on 31 December 2019, an increase of Euro 112 million on 31 December 2018 with the variation mainly attributed to interest income from Enel subsidiaries and affiliates incorporated in Brazil (Euro 81 million), in Italy (Euro 81 million), in the Netherlands (Euro 14 million), in Peru (5 million), in Greece (Euro 4 million) and in South Africa (Euro 3 million). The above mentioned increase was partly offset by interest income decrease from Enel subsidiaries and affiliates incorporated in USA (Euro 43 million), and in Spain (Euro 33 million).

Interests expenses on financial debt totaled Euro 1,249 million increased by Euro 132 million mainly due to:

- interest expenses attributed to issuance made in 2019 and 2018 (Euro 150 million);

- higher amortized costs due to the recalculation under IFRS 9 (Euro 17 million);

- higher interest expenses due to exchange rate differences (Euro 5 million);

- negative interest charges received from the on Commercial Paper (Euro 5 million);

This decrease was partly offset by:

- decrease of interest attributed to the bonds repaid in 2018 and 2019 (Euro 43 million);

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

The net foreign exchange loss increased by Euro 13 million and totaled to Euro 268 million They consisted of: the negative revaluation of the bonds denominated in foreign currencies (Euro 372 million) and positive foreign currency evaluation of non-euro group portfolio (Euro 104million).

The amount of the foreign exchange losses Euro 375 million arisen from the revaluation of notional amount of bonds above mentioned is entirely mitigated by the same amount recycled to the Cash Flow Hedge equity reserve.

The following table shows impairment losses recognized and reversed during the period.

Millions of euro

	2019	2018	Change
Impairment losses:			
Long-term loans and financial receivables (including current portion)	(22)	- 8	(14)
Short-term loans and financial receivables	(10)	- 12	2
Total impairment losses	**(32)**	**- 20**	**(12)**
Reversals of impairment losses:			
Long-term loans and financial receivables (including current portion)	9	31	(22)
Short-term loans and financial receivables	18	37	(19)
Total reversals of impairment losses	**27**	**68**	**(41)**
Total impairment	**(5)**	**48**	**(53)**

Reversal of impairment is mainly attributed to the repayment of long-term loans and change in structure of short-term revolving credit lines and loans granted to Enel Group Companies.

3. Financial income/(expense) from derivatives –Euro 389 million

Millions of euro

	2019	2018	Change
Financial income from derivatives:			
- income from cash flow hedge derivatives	708	704	4
- income from derivatives at fair value through profit or loss	192	607	(415)
Total finance income from derivatives	**900**	**1,311**	**(411)**
Financial expense from derivatives:			
- expenses from cash flow hedge derivatives	(201)	(110)	(91)
- expenses from derivatives at fair value through profit or loss	(310)	(864)	554
Total financial expense from derivatives	**(511)**	**(974)**	**463**
Net income/(expense) from derivatives	**389**	**337**	**52**

Net income/ (expenses) from cash flow hedge derivatives totaled to negative Euro 507 million (as compared with Euro 594 million in 2018). The decrease of Euro 87 million comparing with the previous period is mainly due to gain and losses on these derivatives recycled to profit and loss.

Net income/ (expenses) from derivatives at fair value through profit and loss decreased by Euro 139 million mainly due to decrease of realized losses (Euro 89 million) and decrease of change in fair value (Euro 50 million).

For more detail about derivative financial instruments, please refer to the note 16 and 17.

4 Income tax (income)/expenses – Euro 69 million

Millions of euro

	2019	2018	Change
Profit before income taxes	149	157	(8)
Withholding tax on foreign interests	44	23	21
Tax charge	23	20	3
Deferred tax assets	2	15	(13)
Income taxes	**69**	**58**	11
Effective tax rate	*46%*	*37%*	

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

Millions of euro

	2019	2018	Change
Accounting profit before income tax	149	157	(8)
Tax rate applicable	25%	25%	
Theoretical tax expense	**37**	**39**	**(2)**
Adjustments in respect of current income tax of previous years	(1)	2	(3)
Withholding tax deduction	(11)	(6)	(5)
Withholding tax paid abroad	44	23	21
Tax charge	69	58	11

The Company negotiated an Advanced Pricing Agreement with the Dutch tax authorities in which it agreed both the transfer pricing method and the remuneration for its intergroup financing activities. The agreement will cover 5 year period starting from 2017.

5 Deferred tax assets (liabilities) – Euro 318 million

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

Millions of euro

	at Dec. 31, 2018	Increase/ (Decrease) taken to income statement	Increase/ (Decrease) taken to equity	Impact of tax rate decrease taken to income statemen	Impact of tax rate decrease taken to equity	**at Dec. 31, 2019**
Deferred tax asset						
Nature of temporary differences:						
- derivatives	302	-	(7)	-	16	311
- losses with deferred deductibility	22	(6)				16
Total deferred tax assets	**324**	**(6)**	**(7)**	**-**	**16**	**327**
Deferred tax liability						
Nature of temporary differences:						
- measurement of financial instruments	(13)	4	-	-	-	(9)
Total deferred tax liabilities	**(13)**	**4**	**-**	**-**	**-**	**(9)**

Millions of euro

	at Dec. 31, 2017	Impact of adopting IFRS 9 on opening balance	Increase/ (Decrease) taken to income statement	Increase/ (Decrease) taken to equity	Impact of tax rate decrease taken to income statemen	Impact of tax rate decrease taken to equity	**at Dec. 31, 2018**
Deferred tax asset							
Nature of temporary differences:							
- derivatives	309		(1)	59		(65)	302
- losses with deferred deductibility	32		(7)		(3)		22
Total deferred tax assets	**341**	**0**	**(8)**	**59**	**(3)**	**(65)**	**324**
Deferred tax liability ***Nature of temporary differences:***							
- measurement of financial instruments		(9)	(7)		3		(13)
Total deferred tax liabilities	**-**	**(9)**	**(7)**	**-**	**3**	**-**	**(13)**

At 31 December 2019 deferred tax assets in amount of Euro 327 million increased by Euro 3 million following the change of Dutch corporate income tax rate (Euro 16 million), partly offset by increase of deferred tax asset connected with the fair value measurement of cash flow hedge operations (Euro 7 million) and release of deferred tax assets in the current year (Euro 6 million).

Deferred tax liabilities totaled Euro 9 million decreased by Euro 4 million essentially due to the recognition of deferred taxes on expected credit losses and modification of financial liabilities.

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 26,942 million

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

Millions of Euro

	at Dec. 31, 2019	at Dec. 31, 2018	Change
Long-term loans			
Loan receivable from Enel S.p.A.	6,095	4,141	1,954
Loan receivable from E-Distribuzione S.p.A.	5,500	5,500	0
Loan receivable from Enel Iberia SLU	4,054	0	4,054
Loan receivable from Enel Green Power S.p.A.	3,189	2,242	947
Loan receivable from Endesa SA	3,000	3,000	-
Loan receivable from Enel Green Power del Sur SpA (Parque Eólico Renaico SpA)	574	562	12
Loan receivable from Enel Chile SA	356	0	356
Loan receivable from Slovak Power Holding BV	351	245	106
Loan receivable from Energía Limpia de Palo Alto S de RL de Cv	138	150	(12)
Loan receivable from Enel Green Power Hellas SA	170	140	30
Loan receivable from Enel Green Power México S de RL de Cv	125	18	107
Loan receivable from Enel Sole S.r.l.	100	100	0
Loan receivable from PH Chucas SA	90	100	(10)
Loan receivable from Energías Renovables La Mata SAPI de Cv	90	97	(7)
Loan receivable from Energia Limpia de Amistad S de RL de CV	81	63	18
Loan receivables from EPM Eolica Dolores SA DE CV	76	0	76
Loan receivable from Parque Salitrillos SA de Cv	69	66	3
Loan receivable from EGP Magdalena Solar SA DE CV	67		67
Loan receivables from Parque Amistad II SA DE CV	45	-	45
Loan receivable from Dominica Energía Limpia S de RL de Cv	44	41	3
Loan receivable from Villanueva Solar SA de CV	40	43	(3)
Loan receivable from Enel Green Power Panama SA	39	43	(4)
Loan receivables from Parque Amistad III SA DE CV	35	-	35
Loan receivables from Enel Green Power RSA	29		
Loan receivable from Vientos del Altiplano S de RL de Cv	28	27	1
Loan receivable from Parque Solar Villanueva Tres SA de CV	27	30	(3)
Loan receivables from Cohuna Solar Farm Trust	19		
Loan receivable from Parque Solar Don Jose SA de CV	16	21	(5)
Loan receivables from Parque Amistad IV SA DE CV	8	-	8
Loan receivable from Enel X Korea Ltd	5	5	0
Loan receivables from NGONYE POWER COMPANY Ltd	2	0	2
Loan receivable from Enel Produzione S.p.A.	-	2,000	(2,000)
Loan receivable from Kalenta SA	-	17	(17)
Total loans	**24,433**	**18,651**	**5,782**
Expected credit loss	(35)	(22)	(13)
Total loans net of impairment	**24,398**	**18,629**	**5,769**

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

Millions of euro

	at Dec. 31, 2019	at Dec. 31, 2018	Change
Short-term portion of long-term loans			
Loan receivable from Enel Produzione S.p.A.	2,000		2,000
Loan receivable from Enel Iberia SLU	350	4,754	- 4,404
Loan receivable from Enel Green Power S.p.A.	68	-	68
Loan receivable from Enel S.p.A.	46	-	46
Loan receivable from PH Chucas SA	13	12	1
Loan receivable from Enel Green Power México S de RL de Cv	9	9	-
Loan receivable from Energías Renovables La Mata SAPI de Cv	8	8	-
Loan receivable from Energía Limpia de Palo Alto S de RL de Cv	7	6	1
Loan receivable from Enel Green Power Panama SA	5	5	0
Loan receivable from El Paso Solar SAS	39	43	(4)
Loan receivable from Kalenta SA	-	2	(2)
Loan receivable from Parque Salitrillos SA de Cv	1		
Loan receivable from Enel Green Power Hellas SA	2	-	2
Total loans	**2,548**	**4,839**	**- 2,291**
Expected credit loss	(4)	(6)	2
Total loans net of impairment	**2,544**	**4,833**	**- 2,289**

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

Millions of Euro

	at Dec. 31, 2019	at Dec. 31, 2019	at Dec. 31, 2018	
	Balance	Nominal value	Balance	Effective interest rate
Total Euro	*24,930*	*24,930*	*22,708*	*3.17%*
Australian Dollar	19	19	0	2.13%
Mexican Peso	153	153	0	12.59%
US dollar	1,877	1,877	782	4.70%
Zambian Kwacha	2	2	0	25.90%
Total non-Euro currencies	*2,051*	*2,051*	*782*	
Total	**26,981**	**26,981**	**23,490**	

7. Derivatives – Euro (330) 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 mitigate the loan interest rate fluctuations.

Millions of euro	Non Current		Current	
	at Dec. 31, 2019	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018
Derivative financial assets	493	141	23	31
Derivative financial liabilities	(841)	(1,145)	(5)	(27)

For more details about the nature, the recognition and classification of derivative financial assets and liabilities, please refer to the note 17.

8 Other non-current financial assets – Euro 41 million

Other non-current financial assets totaled Euro 41 million as at 31 December 2019 (Euro 11 million as at 31 December 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 and prepaid expenses of derivative agreements.

9 Short-term loans and financial receivables – Euro 8,469 million

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

Millions of euro

	at Dec. 31, 2019	at Dec. 31, 2018	Change
Short-term loans granted			
Enel S.p.A. - Financial Services Agreement	5,136	1,931	3,205
Revolving short-term facility agreement with Enel Green Power S.p.A.	2,000	2,000	0
Revolving short-term facility agreement with Enel Global Trading S.p.A.	600	200	400
Revolving short-term facility agreement with Enel Green Power Perú SA	157	184	(27)
Revolving short-term facility agreement with Enel Green Power Hellas Sa	152	115	37
Revolving short-term facility agreement with Enel Green Power Canada Inc	111	0	111
Revolving short-term facility agreement with Enel Green Power México S de RL de Cv	105	134	(29)
Revolving short-term facility agreement with EPM EOLICA DOLORES S	72	34	38
Revolving short-term facility agreement with EGP Magdalena Solar SA DE CV	56	-	56
Revolving short-term facility agreement with Enel Green Power RSA	29	67	(67)
Revolving short-term facility agreement with Enel Rinnovabile,S.A. de C.V.	17	5	12
Revolving short-term facility agreement with PARQUE AMISTAD II SA	10	22	(12)
Revolving short-term facility agreement with Enel Green Power Bulgaria EAD	9	14	(5)
Revolving short-term facility agreement with Tynemouth Energy Storage Limited	9	-	9
Revolving short-term facility agreement with KINO Contractor,S.A. de C.V.	8	-	8
Revolving short-term facility agreement with Proyecto Solar Villanueva Tres S.A. de C.V.	0	169	(169)
Revolving short-term facility agreement with Proyecto Solar Don José, S.A. De C.V.	0	155	(155)
Revolving short-term facility agreement with ENEL X	0	150	(150)
Revolving short-term facility agreement with PARQUE AMISTAD IV SA	0	13	(13)
Loan with Enel Brazil SA	0	2,117	(2,117)
Revolving short-term facility agreement with Enel Produzione S.p.A.	0	1,300	(1,300)
Revolving short-term facility agreement with Villanueva Solar SA de Cv	0	205	(205)
Loan with ELETROPAULO	0	95	(95)
Loan with COMPANHIA ENERGETICA	0	68	(68)
Other short term loans granted to Enel Group affiliates	11	77	(66)
Total short term loans	**8,482**	**9,055**	**(573)**
Expected credit loss	(13)	(19)	6
Total loans net of impairment	**8,469**	**9,036**	**(567)**

Millions of Euro	at Dec. 31, 2019	at Dec. 31, 2019	at Dec. 31, 2018	
	Balance	Nominal value	Balance	Effective interest rate
Total Euro	*7,897*	*7,897*	*5,569*	*0.19%*
US dollar	436	436	1,118	2.87%
British pound	9	9	9	1.95%
Canadian dollar	111	111	10	3.48%
South African rand	29	29	67	4.46%
Romanian leu	0	0	2	
Brazilian Real	0	0	2,280	
Total non-Euro currencies	*556*	*556*	*3,486*	
Total	**8,482**	**8,482**	**9,055**	

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

Facility Agreements denominated in Euro	**Financial relationship**	**Commitment amount as at 31 Dec 2019**	**Rate of Interest**	**Spread as at 31 Dec 2019**	**Commitment fee as at 31 Dec 2019**
Enel Green Power Bulgaria EAD	Revolving credit facility	9	EUR EURIBOR 3M	0.95%	35% of the margin
Enel Green Power Hellas SA	Revolving credit facility	151.6	EUR EURIBOR 3M	0.95%	35% of the margin
Enel Green Power S.p.A.	Revolving credit facility	2,000	EUR EURIBOR 3M	0.54%	35% of the margin
Enel Global Trading SPA	Revolving credit facility	800	EUR EURIBOR 1M	3.10%	35% of the margin
Enel X Ireland	Revolving credit facility	1.5	EUR EURIBOR 3M	0.60%	35% of the margin
Millions ofUSD					
Kino Contractor SA DE CV	Revolving credit facility	20	USD LIBOR 3M	4.96%	35% of the margin
EPM Eolica Dolores SA DE CV	Revolving credit facility	110	USD LIBOR 3M	1.97%	35% of the margin
EGP Magdalena Solar S.A de C.V	Revolving credit facility	70	USD LIBOR 3M	2.63%	35% of the margin
Enel Green Power Mexico S.A.	Revolving credit facility	220	USD LIBOR 3M	4.30%	35% of the margin
Parque Amistad II SA DE CV	Revolving credit facility	65	USD LIBOR 3M	1.97%	35% of the margin
Parque Amistad III SA DE CV	Revolving credit facility	65	USD LIBOR 3M	1.97%	35% of the margin
Parque Amistad IV SA DE CV	Revolving credit facility	115	USD LIBOR 3M	2.63%	35% of the margin
Enel Rinnovable SA DE CV	Revolving credit facility	20	USD LIBOR 3M	4.30%	35% of the margin
Enel Green Power Panama S.A.	Revolving credit facility	15	USD LIBOR 3M	1.00%	35% of the margin
Enel Green Power Peru S.A.	Revolving credit facility	225	USD LIBOR 3M	2.50%	35% of the margin
EGP Argentina	Revolving credit facility	7	USD LIBOR 3M	1.00%	35% of the margin
Parque Eolico Pampa S.A	Revolving credit facility	7	USD LIBOR 3M	1.00%	35% of the margin
EL Paso Solar	Revolving credit facility	20	USD LIBOR 3M	3.60%	35% of the margin
Enel x Korea	Revolving credit facility	1.1	USD LIBOR 3M	1.25%	35% of the margin
Millions of RON					
Enel X Romania	Revolving credit facility	4.7	BUBR 3M	1.40%	35% of the margin
Enel X Mobility Romania	Revolving credit facility	2.3	BUBR 3M	1.40%	35% of the margin
Millions of CAD					
Enel Green Power Canada	Revolving credit facility	170	CAD CDOR 3M	1.55%	35% of the margin
Millions of ZAR					
EGP RSA PTY LTD	Revolving credit facility	1800	ZAR JIBAR 3M	5.22%	35% of the margin
Millions of GBP					
Tynemouth Energy Storage Lmtd	Revolving credit facility	8	GBP LIBOR 3M	1.20%	35% of the margin

10 Other current financial assets – Euro 793 million

Millions of euro

	at Dec. 31, 2019	at Dec. 31, 2018	Change
Cash collateral on derivatives	575	955	(380)
Current financial accrued income	218	258	(40)
Other current financial receivables	0	18	(18)
Total other current financial assets	**793**	**1,230**	(437)

While other current financial assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

11 Cash and cash equivalents – Euro 210 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.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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

12 Shareholder's equity – Euro 1,870 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.

Legal reserves includes reserves such as share premium reserve, reserve from effective portion of change in the fair value of cash flow hedges and reserve from cost of hedging.

Share premium reserve (legal 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).

Reserve from effective portion of change in the fair value of cash flow hedges (legal reserve) – Euro (1,041) 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. Deferred taxes attributed to this reserve totaled to Euro 288 million. For more details about the nature, the recognition and classification of derivative financial assets and liabilities, please refer to the note 17.

Reserve from cost of hedge (legal reserve) – Euro (82) million

The reserve includes the "basis spread element" of the fair value of hedging instruments. As at 31 December 2019 the "basis spread element" totaled to Euro 105 million comparing with Euro 194 as at 31 December 2018. Deferred taxes attributed to this reserve totaled to Euro 23 million (as at 31 December 2018 Euro 40 million). For more details please refer to the note 17.

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 Dec. 31, 2019	at Dec. 31, 2018
Total Equity	1,870	1,745
Cash flow hedge reserve	(1,123)	(1,168)
Adjusted equity	2,993	2,913
Net financial result	80	99
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 2019. 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 2019 to the Company's retained earnings.

13 Long-term loans and borrowings (including the portion falling due within twelve months for Euro 674 million) – Euro 30,740 million

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings, which are measured at amortized 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 2019, 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
	at Dec. 31, 2019	**at Dec. 31, 2019**	**at Dec. 31, 2019**	**at Dec. 31, 2019**	**at Dec. 31, 2018**	**at Dec. 31, 2018**	**at Dec. 31, 2018**	**at Dec. 31, 2018**
Bond								
Listed Bond (Fixed rate)	15,934	16,483	15,260	674	12,387	12,963	12,262	125
Listed Bond (Floating rate)	447	450	447	-	446	450	446	-
Unlisted Bond (Fixed rate)	14,359	14,458	14,359	-	12,758	12,860	12,758	-
Total Bond	**30,740**	**31,391**	**30,066**	**674**	**25,591**	**26,273**	**25,466**	**125**

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

Millions of Euro

	at Dec. 31, 2019	**at Dec. 31, 2019**	**at Dec. 31, 2018**	**at Dec. 31, 2019**	
	Balance	Nominal value	Balance	Current average interest rate	Effective interest rate
Total Euro	*13,547*	*14,082*	*10,135*	2.54%	3.27%
US dollar	14,155	14,247	12,563	4.13%	4.30%
British pound	2,619	2,643	2,490	5.70%	5.82%
Swiss Franc	419	419	403	2.07%	2.10%
Total non-Euro currencies	*17,193*	*17,309*	*15,456*		
Total	**30,740**	**31,391**	**25,591**		

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
	at Dec. 31, 2018				**at Dec. 31, 2019**
Bonds in non-Euro currencies and Euro currency	26,273	4,868	(125)	375	31,391
Total long-term financial debt	**26,273**	4,868	**(125)**	**375**	**31,391**

Global Medium Term Programme

Issue of new green bond in Europe for Euro 1,000 million

On January 14, 2019 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 amounts to a total of Euro 1,000 million and provides for repayment in a single instalment at maturity on July 21, 2025 and the payment of a fixed-rate coupon equal to 1.500%, payable annually in arrears in the month of July as from 2019. The issue price has been set at 98.565% and the effective yield at maturity is equal to 1.736%. The settlement date for the issue is January 21, 2019.

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).

"General purpose SDG linked bond" on the US and international markets

On September 5, 2019 the Company launched a single-tranche "sustainable" bond for institutional investors on the US and international markets totaling USD 1,500 million, equivalent to about Euro 1,359 million and linked to SDG 7 "Affordable and clean energy".

The operation has been structured as a single tranche paying a rate of 2.650% maturing September 10, 2024. The issue price has been set at 99.879% and the effective yield at maturity is equal to 2.676%. The settlement date for the issue is September 10, 2019. The issue is guaranteed by Enel.

To hedge forex exchange risk on new bond issue the Company entered into currency interest rate swaps.

"General purpose SDG linked bond" on the European market

On October 10, 2019 launched a multi-tranche "sustainable" bond for institutional investors on the European market totaling 2.5 billion euros. The bond is linked to the achievement of the United Nations Sustainable Development Goals (SDGs) and is the Group's first "General Purpose SDG Linked Bond" issued on the European market.

The issue is structured in the following tranches:

- Euro 1,000 million at a fixed rate of 0.00%, maturing June 17, 2024 and linked to SDG 7 "Affordable and clean energy":
    - the issue price was set at 99.123% and the effective yield at maturity is equal to 0.189%;
    - the interest rate will remain unchanged to maturity subject to achievement of the sustainability target indicated under point i. above as of December 31, 2021;
    - if that target is not achieved, a step-up mechanism will be applied, increasing the rate by 25 bps as of the first interest period subsequent to the publication of the auditor's assurance report.
- Euro 1,000 million at a fixed rate of 0.375%, maturing June 17, 2027 and linked to SDG 7 "Affordable and clean energy":
    - the issue price was set at 99.257% and the effective yield at maturity is equal to 0.474%;
    - the interest rate will remain unchanged to maturity subject to achievement of the sustainability target indicated under point i. above as of December 31, 2021;

  - if that target is not achieved, a step-up mechanism will be applied, increasing the rate by 25 bps as of the first interest period subsequent to the publication of the auditor's assurance report.

- Euro 500 million at a fixed rate of 1.125%, maturing October 17, 2034 and linked to SDG 13 "Climate action":

  - the issue price was set at 98.922% and the effective yield at maturity is equal to 1.204%;

  - the interest rate will remain unchanged to maturity subject to achievement of the sustainability target indicated under point ii. above as of December 31, 2030;

  - if that target is not achieved, a step-up mechanism will be applied, increasing the rate by 25 bps as of the first interest period subsequent to the publication of the report issued by a third-party expert charged with validating the methodology for measuring CO_2 emissions applied by the Group.

Bond repayment

On 19 November 2019 the Company repaid the Euro 125 million bond at maturity.

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 Euro / Global Medium-Term Notes Programme and the Revolving Facility Agreement executed on December 18, 2017 by Enel S.p.A. and the Company with a pool of banks of up to Euro 10 billion. 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 (including the Green Bonds of the Company guaranteed by Enel S.p.A., which are used to finance the Group's eligible green projects) and those related to the bonds issued by the Company on the US market guaranteed by Enel SpA 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;

- 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;

During 2019, the Company issued two "sustainable" bonds on the European market (as part of the Euro Medium Term Notes - EMTN bond issue program) and on the American market, both guaranteed by Enel SpA, linked to the achievement of a number of the Sustainable Development Goals (SDGs) of the United Nations that contain the same covenants as other bonds of the same type.

The main covenants for the Revolving Facility Agreement 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;
- rating clauses, which provide for the borrower to maintain their rating above a certain specified level;
- 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.

14 Short-term loans and borrowings – Euro 3,339 million

Millions of Euro

	at Dec. 31, 2019	at Dec. 31, 2018	Change
Short-term loans Enel Group companies	2,547	3,909	(1,362)
Commercial papers	500	1,454	(954)
Cash collaterals on derivatives	292	24	268
Short-term financial debt	**3,339**	**5,387**	**(2,048)**

Short-term loans

At 31 December 2019 short-term loans decreased by Euro 1,362 million from 31 December 2018.

Millions of Euro

	Original currency	Euro countervalue at 31 Dec 2019	Euro countervalue at 31 Dec 2018	Change
Enel Servizio Elettrico S.p.A.	Euro	2,132	2,470	(338)
Enel Green Power Romania Srl	Euro	126	43	83
Proveedora de Electricidad de Occidente S de RL de Cv	USD	117	193	(76)
Enel Iberia SLU	Euro	84	122	- 38
Generadora Montecristo SA	USD, MXN	33	50	(17)
Enek Fortuna SA	USD	27	15	12
Parque Amistad IV SA DE CV	USD	13	-	13
Enel Green Power Costa Rica SA	USD	5	5	-
Enel Investment Holding B.V.	Euro	5	5	0
Kongul Energì Sanayive Tìcaret Anonìm S¸ìrket	TRY	5	-	5
Enel Energia S.p.A	Euro	-	1,000	(1,000)
Kavachik	TRY	-	3	(3)
Erdwärme Oberland Gm	Euro	-	2	(2)
Ovachik	TRY	-	1	(1)
Total		**2,547**	**3,909**	**(1,362)**

Commercial Papers

The payables represented by commercial papers relate to outstanding issuances at 2019 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 2019 was Euro 500 million (Euro 1,454 million at 31 December 2019).

Reconciliation of long term and short-term movement with cash flow statement: issuance in 2019 totaled to Euro 4,868 million for long-term borrowings (in 2018 Euro 4,681 million for long-term borrowings). The repayments in 2019 totaled to Euro 125 million for long-term borrowing(in 2018: Euro 1,587 million), Euro 954 million for commercial papers and Euro 1,362 million for short-term borrowings (in 2018: Euro 463 million).

15 Other current financial liabilities – Euro 418 million

Other current financial liabilities decreased by Euro 11 million and mainly related to interest expenses accrued on debt outstanding at 31 December 2019.

All payments are expected within 12 months.

16 Fair value measurement

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities to which the company has access at the measurement date;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

For this purpose:

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

The fair value of derivative contracts is determined using the official prices for instruments traded on markets.

The fair value of instruments not listed on a market is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, volatility), discounting expected future cash flows on the basis of the market yield curve and translating amounts in currencies other than the euro using exchange rates provided by the European Central Bank.

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

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

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

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

Assets and liabilities measured at fair value in the financial statements

The following table shows the fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorised:

Millions of euro	**Non Current**				**Current**			
	at Dec. 31, 2018	Level 1	**Level 2**	Level 3	**at Dec. 31, 2018**	Level 1	**Level 2**	Level 3
DERIVATIVE ASSETS								
Cash flow hedge								
on interest rate risk	11	-	11	-	-	-	-	-
on foreign exchange risk	116	-	116	-	1	-	1	-
Total	**127**	-	**127**	-	**1**	-	**1**	-
At fair value through profit or loss								
on interest rate risk	15	-	15	-	-	-	-	-
on foreign exchange risk	-	-	-	-	30	-	30	-
Total	**15**	**-**	**15**	**-**	**30**	**-**	**30**	**-**
TOTAL DERIVATIVE ASSETS	**141**	-	**141**	-	**31**	-	**31**	-
DERIVATIVE LIABILITIES								
Cash flow hedge								
on interest rate risk	(248)	-	(248)	-	-	-	-	-
on foreign exchange risk	(880)	-	(880)	-	(18)	-	(18)	-
Total	**(1,128)**	-	**(1,128)**	-	**(18)**	-	**(18)**	-
At fair value through profit or loss								
on interest rate risk	(17)	-	(17)	-	-	-	-	-
on foreign exchange risk	0	-	-	-	(9)	-	(9)	-
Total	**(17)**	-	**(17)**	-	**(9)**	-	(9)	-
TOTAL DERIVATIVE LIABILITIES	**(1,145)**	-	**(1,145)**	-	**(27)**	-	**(27)**	-

Millions of euro	Non Current				Current			
	at Dec. 31, 2019	Level 1	**Level 2**	Level 3	at Dec. 31, 2019	Level 1	**Level 2**	Level 3
DERIVATIVE ASSETS								
Cash flow hedge								
on interest rate risk	39	-	39	-	-	-	-	-
on foreign exchange risk	411	-	411	-	9	-	9	-
Total	**450**	-	**450**	-	**9**	-	**9**	-
At fair value through profit or loss								
on interest rate risk	43	-	43.00	-	-	-	-	-
on foreign exchange risk	-	-	-	-	14	-	14	-
Total	43	**-**	43.00	**-**	**14**	**-**	**14**	**-**
TOTAL DERIVATIVE ASSETS	**493**	-	**493**	-	**23**	-	**23**	-
DERIVATIVE LIABILITIES								
Cash flow hedge								
on interest rate risk	(175)	-	(175)	-	-	-	-	-
on foreign exchange risk	(621)	-	(621)	-	-	-	-	-
Total	**(796)**	-	**(796)**	-	-	-	-	-
At fair value through profit or loss								
on interest rate risk	(45)	-	(45)	-	-	-	-	-
on foreign exchange risk	-	-	-	-	(5)	-	(5)	-
Total	**(45)**	-	**(45)**	-	**(5)**	-	(5)	-
TOTAL DERIVATIVE LIABILITIES	**(841)**	-	**(841)**	-	**(5)**	-	**(5)**	-

Assets and liabilities not measured at fair value in the financial statements

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

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

	at Dec. 31, 2019	Level 1	Level 2	Level 3
Financial assets at amortized cost				
Medium/long-term financial receivables	29,144	-	29,144	-
Short-term financial receivables	3,320	-	3,320	-
Total	**32,464**	**-**	**32,464**	**-**
Borrowings:				
Bonds				
-fixed rate	34,328	34,328	-	-
-floating rate	483	483	-	-
-deposits from the Group	2,545	-	2,545	-
Short-term borrowings at amortized cost	500	500		-
Total	**37,856**	**35,311**	**2,545**	**-**

Level 2 includes financial assets/liabilities measured at fair value on the basis of the curve on the market for each currency and the exchange rate for the non-euro currency.

17 Hedging activities and derivatives

Derivatives are initially recognised at fair value, on the trade date of the contract and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Hedge accounting is applied to derivatives entered into in order to reduce risks such as interest rate risk, foreign exchange rate risk, commodity price risk and net investments in foreign operations when all the criteria provided by IFRS 9 are met.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges of forecast transactions designated as hedged items, the Company assesses and documents that they are highly probable and present an exposure to changes in cash flows that affect profit or loss.

To be effective a hedging relationship shall meet all of the following criteria:

- existence of an economic relationship between hedging instrument and hedged item;
- the effect of credit risk does not dominate the value changes resulting from the economic relationship;
- the hedge ratio defined at designation resulting equal to the one used for risk management purposes (i.e. same quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge the quantity of the hedged item).

Based on the IFRS 9 requirements, the existence of an economic relationship is evaluated by the Company through a qualitatively assessment or a quantitatively computation, depending of the following circumstances:

- if the underlying risk of the hedging instrument and the hedged item is the same, the existence of an economic relationship will be provided through a qualitative analysis;
- on the other hand, if the underling risk of the hedging instrument and the hedged item is not the same, the existence of the economic relationship will be demonstrated through a quantitative method in addition to a qualitative analysis of the nature of the economic relationship (i.e. linear regression).

In order to demonstrate that the behavior of the hedging instrument in line with those of the hedged item, different scenarios will be analysed

In order to evaluate the credit risk effects, the Company considers the existence of risk mitigating measures (collateral, mutual break-up clauses, netting agreements, etc.).

The Company has established a hedge ratio of 1:1 for all the hedging relationships (including commodity price risk hedging) as the underlying risk of the hedging derivative is identical to the hedged risk, in order to minimize hedging ineffectiveness.

The hedge ineffectiveness will be evaluated through a qualitative assessment or a quantitative computation, depending on the following circumstances:

- if the critical terms of the hedged item and hedging instrument match and there aren't other sources of ineffectiveness included the credit risk adjustment on the hedging derivative, the hedge relationship will be considered fully effective on the basis of a qualitative assessment;
- if the critical terms of the hedged item and hedging instrument do not match or there is at least one source of ineffectiveness, the hedge ineffectiveness will be quantified applying the dollar offset cumulative method with hypothetical derivative. This method compares changes in fair values of the hedging instrument and the hypothetical derivative between the reporting date and the inception date.

The main causes of hedge ineffectiveness may be the followings:

- basis differences (i.e. the fair value or cash flows of the hedged item depend on a variable that is different from the variable that causes the fair value or cash flows of the hedging instrument to change);
- timing differences (i.e. the hedged item and hedging instrument occur or are settled at different dates);
- quantity or notional amount differences (i.e. the hedged item and hedging instrument are based on different quantities or notional amounts);
- other risks (i.e. changes in the fair value or cash flows of a derivative hedging instrument or hedged item relate to risks other than the specific risk being hedged);
- credit risk (i.e. the counterparty credit risk differently impact the fair value movements of the hedging instruments and hedging item)

Cash flow hedge

Cash flow hedges are applied in order to hedge the Company exposure to changes in future cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the hedged forecast sale takes place).

If the hedged item results in the recognition of a non-financial asset (i.e. property, plant and equipment or inventories, etc.) or a non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the amount accumulated in equity (i.e. cash flow reserve) shall be removed and included in the initial value (cost or other carrying amount) of the asset or the liability hedged (i.e. "basis adjustment").

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

For hedging relationships using forward as hedging instrument, where only the change in the value of the spot element is designated as the hedging instrument, accounting for the forward element (P&L vs OCI) is defined case by case. This approach is actually applied by the Company for hedging of foreign currency risk on renewables assets.

Conversely, hedging relationships using cross currency basis spread as hedging instrument, the Company separates foreign currency basis spread, in designating the hedging derivative, and present them in other comprehensive income (OCI).

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

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

Millions of euro	**Non Current**				**Current**			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2019	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018
DERIVATIVE ASSETS								
Cash flow hedge								
on interest rate risk	831	833	39	11	-	-	-	-
on foreign exchange risk	8,134	5,005	411	116	92	162	9	1
Total	**8,964**	**5,838**	**450**	**127**	**92**	**162**	**9**	**1**
DERIVATIVE LIABILITIES								
Cash flow hedge								
on interest rate risk	1,900	4,650	(175)	(248)	-	-	-	-
on foreign exchange risk	9,084	10,571	(621)	(880)	-	2,117	-	- 18
Total	**10,984**	**15,221**	**(796)**	**(1,128)**	-	**2,117**	-	- 18

Impact of hedging derivatives on equity

The impact of the hedging instruments on the balance sheet is, as follows:

Millions of Euro	Notional amount	Carrying amount	Line item in the statement of financial position	Fair value used for measuring ineffectiveness for the period
at Dec. 31, 2019				
Interest rate swap (IRS)	2,731	(136)	Derivatives	(136)
Cross currency interest rate swap (CCIRS)	17,310	(200)	Derivatives	(95)
at Dec. 31, 2018				
Interest rate swap (IRS)	5,483	(240)	Derivatives	(226)
Cross currency interest rate swap (CCIRS)	17,855	(782)	Derivatives	(588)

The impact of the hedged item on the balance sheet is, as follows:

Millions of Euro	2019			2018		
	Fair value used for measuring ineffectiveness	**Cash flow hedge reserve**	**Cost of hedging reserve**	**Fair value used for measuring ineffectiveness**	Cash flow hedge reserve	**Cost of hedging reserve**
Floating-rate borrowings	173	(173)		248	(237)	0
Floating-rate lendings	(39)	39		(11)	11	0
Fixed-rate borrowings in foreign currencies	95	(95)	(105)	588	(588)	(194)
Total	229	(229)	(105)	825	(814)	(194)

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is:

Millions of Euro	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the balance sheet	Cost of hedging recognised in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
at Dec. 31, 2019						
Floating-rate borrowings	64	(9)	Derivatives	0		Financial expense from derivative
Floating-rate lendings	28		Derivatives	0		Financial expense from derivative
Fixed-rate borrowings in foreign currencies	493		Derivatives	89	(384)	Financial expense from derivative
at Dec. 31, 2018						
Floating-rate borrowings	(26)	11	Derivatives			Financial expense from derivative
Floating-rate lendings	39		Derivatives			Financial expense from derivative
Fixed-rate borrowings in foreign currencies	190		Derivatives	84	(443)	Financial expense from derivative

During 2019 the Company has unwound derivatives designed for pre-hedge in amount of Euro 236 million.

The following table reports the impact of cash flow hedge derivatives on equity during the period, gross of the fiscal impact:

Millions of Euro	2019 Cost of hedging	Gross changes in fair value recognized in equity)	Gross changes in fair value transferred to income – Recycling	Gross changes in fair value transferred to income - Ineffectiveness	2018 Cost of hedging	Gross changes in fair value recognized in equity	Gross changes in fair value transferred to income – Recycling	Gross changes in fair value transferred to income - Ineffectiveness
Interest rate hedging		83		(9)		(15)		11
Exchange rate hedging	89	493			84	190	(443)	
Hedging derivatives	**89**	**5**	**0**	**(9)**	**84**	**175**	**(443)**	**11**

The amount of effective changes in the fair value of cash flow hedge derivatives, not yet settled, corresponding to hedges on the exchange rate on hedged items released in order to offset the adjustment at the spot exchange rate of the hedged assets/liabilities denominated in a foreign currency at the end of the reporting period totalled to Euro 375 million.

Hedge relationships by type of risk hedged

<u>Interest rate risk</u>

The following table reports the notional amount and fair value of the hedging instruments on interest rate risk of transactions outstanding as at 31 December 2019 and 31 December 2018, broken down by type of hedged item:

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
Hedged instruments	**Hedged item**	**at Dec. 31, 2019**	**at Dec. 31, 2019**	at Dec. 31, 2018	at Dec. 31, 2018
Interest rate swaps	Floating-rate borrowings	(175)	1,900	(248)	4,650
Interest rate swaps	Floating-rate lendings	39	831	11	833
Total		**(136)**	**2,731**	**(237)**	**5,483**

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at 31 December 2019 and 31 December 2018, broken down by type of hedge:

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
Derivatives	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018
Interest rate swaps	831	833	39	11	1,900	4,650	(175)	(248)
Total interest rate derivatives	**831**	**833**	**39**	**11**	**1,900**	**4,650**	**(175)**	**(248)**

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on interest rate risk:

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31,	2020	2021	2022	2023	2024	Beyond
Cash flow hedge derivatives on interest rates:							
- Positive fair value	39	9	8	7	5	4	9
- Negative fair value	(175)	(15)	(36)	(35)	(30)	(25)	(41)
Total Interest rate derivatives	**(136)**	**(6)**	**(28)**	**(28)**	**(25)**	**(21)**	**(32)**

Exchange rate risk

The following table shows the notional amount and the fair value of the hedging instruments on foreign exchange risk of transactions outstanding as at 31 December 2019 and 31 December 2018, broken down by type of hedged item:

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
Hedged instruments	**Hedged item**	**at Dec. 31, 2019**	**at Dec. 31, 2019**	at Dec. 31, 2018	at Dec. 31, 2018
Cross currency interest rate swap (CCIRS)	Fixed-rate borrowings in foreign currencies	(201)	17,310	(782)	17,855
Total		**(201)**	**17,310**	**(782)**	**17,855**

The following table shows the notional amount and the fair value of hedging derivatives on foreign exchange risk of transactions outstanding as at 31 December 2019 and 31 December 2018, broken down by type of hedge:

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
Derivatives	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018
Cross currency interest rate swap (CCIRS)	8,226	5,167	420	116	9,084	12,688	(621)	(898)
Total interest rate derivatives	**8,226**	**5,167**	**420**	**116**	**9,084**	**12,688**	**(621)**	**(898)**

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

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31,	2020	2021	2022	2023	2024	Beyond
Cross currency interest rate swap							
Positive Fair value derivatives	420	183	174	174	247	117	1,314
Negative fair value derivatives	(621)	114	114	93	77	79	574
Total Exchange rate derivatives	**(201)**	**297**	**288**	**267**	**324**	**196**	**1,888**

Derivatives at fair value through profit or loss

The following tables show the notional amount and the fair value of derivatives assets and liabilities at FVTPL, as at 31 December 2019 and 31 December 2018, classified on the basis of each type of risk, broken down into current and non-current.

Millions of euro	**Non Current**				**Current**			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2019	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018	**at Dec. 31, 2019**	at Dec. 31, 2018
DERIVATIVE ASSETS								
At fair value through profit or loss								
on interest rate risk	486	478	43	15	-	-	-	-
on foreign exchange risk	-	-	-	-	2,691	2,812	14	30
Total	**486**	**478**	**43**	**15**	**2,691**	**2,812**	**14**	**30**
DERIVATIVE LIABILITIES								
At fair value through profit or loss								
on interest rate risk	486	478	(45)	(17)	-	-	-	-
on foreign exchange risk	-	-	-	-	650	633	(5)	(9)
Total	**486**	**478**	**(45)**	**(17)**	**650**	**633**	**(5)**	**(9)**

18 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 2019 and 31 December 2018 respectively:

Millions of euro		Receivables	Payables	Income	Cost
		at Dec. 31, 2019		**2019**	
Shareholder					
Enel S.p.A		11,302	150	135	63
	(Subtotal)	*11,302*	*150*	*135*	*63*
Other affiliated companies					
Villanueva Solar, S.A. De C.V.		41	-	14	(2)
Parque Solar Villanueva Tres, S.A. De C.V.		28	-	11	(2)
Parque Solar Don Jose, S.A. De C.V.		16	-	9	(1)
Energia Limpia de Amistad, S. de R.L. de C.V.		80	-	70	56
Enel Green Power Peru Sa (USD)		156	-	32	13
Slovak Power Holding B.V.		350	-	15	1
Enel Green Power Romania Srl		-	126	3	2
Parque Salitrillos, S.A. de C.V.		74	-	6	-
Ngonye Power Company Limited		2	-	-	-
Enel Green Power Argentina Sa		4	2	-	-
Enel Green Power Australia Pty Ltd		1	-	3	4
Enel Green Power Canada Inc.		111	-	11	6
Tynemouth Energy Storage Limited		9	-	1	-
Enel Green Power Australia Trust		-	-	1	-
Enel X North America, Inc.		5	-	6	-
Companhia Energetica Do Ceara - Coelce		-	-	5	1
El Paso Solar Sas Esp		39	-	4	1
Enel Rinnovabile, S.A. de C.V.		16	-	1	1
Kino Contractor S.A. de C.V.		8	-	1	1
Dolores Wind Sa De Cv		147	-	21	9
Parque Amistad Ii Sa De Cv		55	-	9	4

Parque Amistad Iii Sa De Cv	35	13	7	4
Parque Amistad Iv Sa De Cv	8	-	7	5
Enel Green Power Hellas Sa	325	-	23	(2)
Endesa SA	3015	-	92	-
Enel Brasil S.A	-	5	152	(2)
e-distribuzione SpA	5,557	-	339	5
Parque Eolico Pampa Sa	4	84	0	-
Enel Iberia SLU	4,403	27	191	(3)
Enel Fortuna SA	-	-	1	1
Enel Green Power Bulgaria EAD	9	-	-	-
Enel Green Power Spa IT	5,341	6	93	(2)
Enel North America, Inc.	-	-	2	1
Enel Green Power Panama SA	47	-	5	-
Enel Produzione IT	2,016	-	113	1
Servizio Elettrico Nazionale SpA	2,133	-	-	12
Enel Sole Srl	101	-	3	-
Egp Magdalena Solar SA de CV	122	-	19	8
Enel Global Trading Spa IT	597	-	9	3
Eletropaulo Metropolitana Eletricidade De Sao Paulo S.A.	-	-	7	1
Pincher Creek Lp	-	-	1	0
Riverview Lp	-	33	-	1
Generadora Montecristo, S.A.	-	-	-	2
Enel Green Power Mexico S de RL de CV	236	-	24	8
PH Chucas S.A.	102	-	11	-
Cohuna Solar Farm Trust	20	-	1	1
Proveedora de Electricidad de Occidente Srl de cv	-	117	11	20
Dominica Energia Limpia S. de R.L. de C.V.	44	-	8	-
Energias Renovables La Mata SAPI de CV	97	-	11	2
Enel Green Power Rsa (PTY) Ltd	29	-	11	2
Kongul Enerji Sanayi Ve Ticaret Anonim Sirketi	-	-	1	2
Enel Green Power Del Sur SpA	573	-	43	(1)
Energia Limpia De Palo Alto, S. De R.L. De C.V.	155	-	16	1
Vientos de Altiplano, S. de R.L. de C.V.	28	-	6	-
Enel Chile S.A.	*37,441*	*563*	*1,565*	*227*
(Subtotal)	**48,743**	**713**	**1,700**	**290**
Total				

Millions of euro

	Receivables	Payables	Income	Cost
	at Dec. 31, 2018		**2018**	
Shareholder				
Enel S.p.A	6,092	165	95	-
(Subtotal)	*6,092*	*165*	*95*	-
Other affiliated companies				
Edwarme	-	2	-	-
Enel OpEn Fiber S.p.A.	-	-	5	(1)
Villanueva Solar S.A. de C.V.	250	-	38	-
Proyecto Solar Villanueva Tres S.A. de C.V.	201	-	28	-
Proyecto Solar Don JosA S.A. de C.V.	177	-	24	-
Energia Limpia de Amistad, S. de R.L. de C.V.	64	-	25	(3)
Enel Green Power Peru (USD)	181	-	17	4
Slovak Power Holding BV	244	-	2	-
Enel Green Power Romania	-	43	-	1
Parque Salitrillos, S.A. de C.V.	68	-	5	3
Enel Energia, S.A. de C.V.	-	-	4	-

Enel Green Power Canada Inc.	10	4	1	6
Tynemouth Energy Storage Limited	9	-	-	-
Enel Green Power Australia Trust	-	1	-	-
Enernoc, Inc	152	-	14	1
ENEL DISTRIBUCION CEARA S.A.	68	-	-	-
El Paso Solar S.a.s	52	-	3	2
Enel Rinnovabile,S.A. de C.V.	9	-	1	-
KINO Contractor,S.A. de C.V.	-	-	1	1
Dolores Wind, S.A. de C.V.	34	-	2	1
Parque Amistad II, S.A. de C.V.	22	-	-	(2)
Parque Amistad III, S.A. de C.V.	11	-	1	3
Parque Amistad IV, S.A. de C.V.	14	-	3	4
EGP Hellas	266	-	19	1
ENDESA	3,015	-	92	(1)
ENEL BRASIL	2,151	-	44	8
Enel Green Power Chile Ltda	-	-	2	4
Enel Green Power Costa Rica	-	5	1	2
e-distribuzione S.p.A.	5,562	-	341	(1)
Enel X International srl	2	-	1	(2)
Enel Energia	-	1,000	0	-
Enel Iberia SLU	4,767	122	224	(5)
Enel Fortuna SA	-	15	-	-
EGP Bulgaria EAD	14	-	-	-
Enel Green Power Spa GLO	-	-	43	8
Enel Green Power Spa IT	4,272	-	-	-
ENEL INVESTMENT HOLDING BV	-	6	-	-
Enel Green Power North America Inc.	-	-	115	15
Enel Green Power Panama SA	56	-	6	-
Enel Produzione IT	3,317	-	113	(4)
Enel Servizio Elettrico	-	2,472	-	14
Enel Sole	101	-	3	-
EGP Magdalena Solar, S.A. de C.V.	10	-	2	1
Enel Global Trading S.p.A. IT	200	-	3	-
Enel Trade Romania	2	-	0	-
Enel Holding Cile Srl	-	-	3	-
Enel Distribuicao Sao Paulo	95	-	0	1
Generadora Montecristo SA	-	50	2	5
Enel Green Power Mexico	161	-	16	5
P.H. Chucas SA	112	-	13	(1)
Proveedora de Electricidad de Occidente Srl de cv	5	193	14	20
Enel Green Power Colombia SAS	5	-	1	-
Kalenta SA	18	-	-	-
Dominica Energia Limpia S. de R.L. de C.V.	40	-	19	(16)
Energias Renovables La Mata S.A.P.I. de C.V.	104	-	14	(1)
Enel Green Power Rsa (PTY) Ltd	67	-	8	8
Estrellada S.A.	2	-	8	-
Kongul Enerji Sanayi Ve Ticaret Anonim Sirketi	-	3	1	1
PARQUE EOLICO RENAICO SPA	561	-	66	(4)
Energia Limpia de Palo Alto, S. de R.L. de C.V.	152	-	14	(7)
Vientos de Altiplano, S. de R.L. de C.V.	27	-	8	1
ESTRELLA SOLAR	3	-	-	-
(Subtotal)	26,653	3,916	1,370	72
Total	**32,745**	**4,081**	**1,465**	**72**

For further details of the each relation with related parties please refer to notes 6, 9, 14.

19 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.

20 Offsetting financial assets and financial liabilities

At December 31, 2019, the Company did not hold offset positions in assets and liabilities, as it is not the Enel policy to settle financial assets and liabilities on a net basis.

21 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 2019, amounted to Euro 97 thousand (Euro 87 thousand in 2018) represented short-term employee benefits and summarized in the following table:

Thousands of euro

	at Dec. 31, 2019	**at Dec. 31, 2018**
A.J.M. Nieuwenhuizen	29	29
H. Marseille	29	29
E. Di Giacomo	29	29
J. Homan	10	-
A. Canta	-	-
Total	**97**	**87**

22 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, 2019	at Dec. 31, 2018
Audit	109	104
Audit related services in connection with GMTN prospectus	-	30
Tax	-	-
Other	-	-
Total	**109**	**134**

23. Contingent assets and liabilities

The following reports the main contingent assets and liabilities at December 31, 2019, which are not recognized in the financial statements as they do not meet the requirements provided for in IAS 37.

BEG Litigation

Following an arbitration proceeding initiated by BEG SpA in Italy, Enelpower obtained a ruling in its favor in 2002, which was upheld by the Court of Cassation in 2010, which entirely rejected the complaint with regard to alleged breach by Enelpower of an agreement concerning the construction of a hydroelectric power station in Albania. Subsequently, BEG, acting through its subsidiary Albania BEG Ambient, filed suit against Enelpower and Enel SpA in Albania concerning the 320 Consolidated Annual Report 2019 matter, obtaining a ruling from the District Court of Tirana, upheld by the Albanian Court of Cassation, ordering Enelpower and Enel to pay tortious damages of about €25 million for 2004 as well as an unspecified amount of tortious damages for subsequent years. Following the ruling, Albania BEG Ambient demanded payment of more than €430 million from Enel. With a ruling of June 16, 2015, the first level was completed in the additional suit lodged by Enelpower SpA and Enel SpA with the Court of Rome asking the Court to ascertain the liability of BEG SpA for having evaded compliance with the arbitration ruling issued in Italy in favor of Enelpower SpA through the legal action taken by Albania BEG Ambient Shpk. With this action, Enelpower SpA and Enel SpA asked the Court to find BEG liable and order it to pay damages in the amount that the other could be required to pay to Albania BEG Ambient Shpk in the event of the enforcement of the sentence issued by the Albanian courts. With the ruling, the Court of Rome found that BEG SpA did not have standing to be sued, or alternatively, that the request was not admissible for lack of an interest for Enel SpA and Enelpower SpA to sue, as the Albanian ruling had not yet been declared enforceable in any court. The Court ordered the setting off of court costs. Enel SpA and Enelpower SpA appealed the ruling before the Rome Court of Appeal, asking that it be overturned in full. The next hearing, scheduled for November 13, 2019, was postponed until May 7, 2020. On November 5, 2016, Enel SpA and Enelpower SpA filed a petition with the Albanian Court of Cassation, asking for the ruling issued by the District Court of Tirana on March 24, 2009 to be voided. The proceeding is still pending.

PROCEEDINGS UNDERTAKEN BY ALBANIA BEG AMBIENT SHPK TO OBTAIN ENFORCEMENT OF THE RULING OF THE DISTRICT COURT OF TIRANA OF MARCH 24, 2009

Albania BEG Ambient Shpk had initiated two proceedings requesting execution of the Albanian sentence before the courts of the State of New York and Ireland, which both ruled in favor of Enel SpA and Enelpower SpA, respectively, on February 23 and February 26, 2018. Accordingly, there are no lawsuits pending in Ireland or New York State.

FRANCE

In February 2012, Albania BEG Ambient filed suit against Enel SpA and Enelpower SpA with the Tribunal de Grande Instance in Paris in order to render the ruling of the Albanian court enforceable in France. Enel SpA and Enelpower SpA challenged the suit. Following the beginning of the case before the Tribunal de Grande Instance, again at the initiative of BEG Ambient, between 2012 and 2013 Enel France was served with two “Saise Conservatoire de Créances” (orders for the precautionary attachment of receivables) to conserve any receivables of Enel SpA in respect of Enel France. On January 29, 2018, the Tribunal de Grande Instance issued a ruling in favor of Enel and Enelpower, denying Albania BEG Ambient Shpk the recognition and enforcement of the Tirana court's ruling in France for lack of the requirements under French law for the purposes of granting exequatur. Among other issues, the Tribunal de Grande Instance ruled that: (i) the Albanian ruling conflicted with an existing decision, in this case the arbitration ruling of 2002 and that (ii) the fact that BEG sought to obtain in Albania what it was not able to obtain in the Italian arbitration proceeding, resubmitting the same claim through Albania BEG Ambient Shpk, represented fraud. Albania BEG Ambient Shpk appealed the ruling. The hearing before the Paris Court of Appeal is scheduled for June 9, 2020 and briefs are being exchanged between the parties.

THE NETHERLANDS

At the end of July 2014, Albania BEG Ambient Shpk filed suit with the Court of Amsterdam to render the ruling of the Albanian court enforceable in the Netherlands. On June 29, 2016, the court filed its judgment, which: (i) ruled that the Albanian ruling meet the requirements for recognition and enforcement in the Netherlands; (ii) ordered Enel and Enelpower to pay €433,091,870.00 to Albania BEG Ambient Shpk, in addition to costs and ancillary charges of €60,673.78; and (iii) denied Albania BEG Ambient Shpk's request to declare the ruling provisionally enforceable. On June 29, 2016, Enel and Enelpower filed appeals against the ruling of the Court of Amsterdam issued on the same date. On September 27, 2016, Albania BEG Ambient also appealed the court's ruling of June 29, 2016, to request the reversal of its partial loss on the merits. On April 11, 2017, the Amsterdam Court of Appeal granted the request of Enel and Enelpower to join to two pending appeals. In a ruling of July 17, 2018, the Amsterdam Court of Appeal upheld the appeal advanced by Enel and Enelpower, ruling that the Albanian judgment cannot be recognized and enforced in the Netherlands. The Court of Appeal found that the Albanian decision was arbitrary and manifestly unreasonable and therefore contrary to Dutch public order. For these reasons, the court did not consider it necessary to analyze the Enel Group Governance Strategy & Risk Management Performance & Metrics Outlook Consolidated financial statements Notes to the financial statements 321 Enel Group Governance Strategy & Risk Management Outlook Consolidated financial statements additional arguments of Enel and Enelpower. The proceeding before the Court of Appeal continued with regard to the subordinate question raised by Albania BEG Ambient Shpk in the appeal proceedings, with which it is asking the court to rule on the merits of the dispute in Albania and in particular the alleged non-contractual liability of Enel and Enelpower in the failure to build the plant in Albania. On December 3, 2019, the Amsterdam Court of Appeal issued a ruling in which it quashed the trial court judgment of June 29, 2016, rejecting any claim made by Albania BEG Ambient Shpk. The Court came to this conclusion after affirming its jurisdiction over Albania BEG Ambient Shpk's subordinate claim and re-analyzing the merits of the case under Albanian law. Enel and Enelpower are therefore not liable to pay any amount to Albania BEG Ambient Shpk, which was in fact ordered by the Court of Appeal to reimburse the appellant companies for the losses incurred in illegitimate conservative seizures, to be quantified as part of a specific procedure, and the costs of the trial and appeal proceedings. On March 3, 2020, it was learned that Albania BEG Ambient Shpk had filed an appeal with the Supreme Court of the Netherlands. On April 3rd, 2020, Enel and Enelpower appeared before the Dutch Supreme Court and the proceedings is ongoing.

LUXEMBOURG

In Luxembourg, again at the initiative of Albania BEG Ambient Shpk, J.P. Morgan Bank Luxembourg SA was also served with an order for the precautionary attachment of any receivables of Enel SpA. In parallel Albania BEG Ambient Shpk filed a claim to obtain enforcement of the ruling of the Court of Tirana in that country. The proceeding is still under way and briefs are being exchanged between the parties. No ruling has been issued.

24 Subsequent events

COVID-19

The beginning of 2020 is characterised by the spread of COVID-19 initially appeared in China and then got around Europe, the United States, as well as Latin America and Africa. The safety and well-being of people is the top priority. The Company is doing its best to ensure business continuity and the teams are tirelessly working to help to mitigate the risks.

Currently the management is closely monitoring any financial impact attributable to the Covid-19 pandemic. More specifically, no significant impacts are expected in 2020 on instruments measured at fair value and on the expected credit losses.

The outbreak of Coronavirus does not impact the assessment of the ability to continue as a going concern. Notwithstanding in a context of greater uncertainty and volatility it is not possible to make a reasonable estimate of the quantitative impact.

It is considered as a non-adjusting event for the financial statement position for the financial statements 2019.

Financial assets sale and new loan to Enel Italia S.p.A.

In line with the rationalization of the corporate structure of the Enel Group in Italy, aiming to separate the resources dedicated to the management of the various Italian businesses from the global functions and foreign investments, on 1 January 2020 Enel Spa transferred a portion of the debt due to Enel Finance International N.V. to Enel Italia S.p.A - sub-holding company under direct control of Enel S.p.A.

On 20 April 2020 Board of Directors of Enel Finance International N.V. approved the transfer of long-term loans granted to E-Distribuzione S.p.A, Enel Produzione S.p.A and Enel Sole S.p.A. to Enel Italia S.p.A. with total value of Euro 8,526 million.

At the same date a new long-term loan was granted to Enel Italia S.p.A with the total amount up to Euro 6,500 million

Amsterdam, 18 May 2020

E. Di Giacomo
A. Canta
J. Homan

H. Marseille
A.J.M. Nieuwenhuizen

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 2019 financial statements of Enel Financial International BV

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

Independent auditor's report

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

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Enel Finance International N.V. (hereinafter: Enel Finance International N.V. or the Company), 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 2019, and of its result and its cash flows for 2019 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 2019
- The following statements for 2019: the statement of comprehensive income, the statement of changes in equity and 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.

Our audit approach

Our understanding of the business

Enel Finance International N.V. 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.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain 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.

Materiality

Materiality	EUR 275 million (rounded) (2018: EUR 260 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, and based on our professional judgment, we consider the amount of total assets to be the most appropriate benchmark for the stakeholders of the Company.

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

We agreed with the managing directors that misstatements in excess of EUR 14 million (rounded), 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 managing directors. The key audit matters are not a comprehensive reflection of all matters discussed. In comparison with previous year, our key audit matters did not change.

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.

Estimation uncertainty with respect to the valuation of loans to and financial receivables from related companies	
Risk	At 31 December 2019, the loans to and financial receivables from related companies amount to EUR 35,463 million, net of impairment loss allowance of EUR 52 million. The recoverability of these loans to and receivables from related companies determines the ability of the Company to fulfil its obligations to bond and note holders. The impairment loss allowance represents the Company's best estimate of expected credit losses (ECL) on these loans to and financial receivables from related companies at balance sheet date. The ECL calculation is probability-weighted using a combination of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

Estimation uncertainty with respect to the valuation of loans to and financial receivables from related companies	
	The probability of default (PD) is estimated mainly based on the creditworthiness of each counterparty. The Company estimates the probability of default considering qualitative and quantitative information in order to reflect possible future events, which result in a rating of the portfolio or the individual loan. The rating is converted into a PD through the average of Moody's and Standard & Poor's conversion matrix. The LGD used is based on a Basel standard percentage of 45%. As the loans to and financial receivables from the related companies are material to the Company's balance sheet and given the related estimation uncertainty on impairment losses, we consider this a key audit matter. The accounting principles on impairment loss calculation and loans to and financial receivables from related companies, including impairment loss allowance, are disclosed in the section Accounting policies and measurement criteria, note 6 Long-term loans and financial receivables, note 9 Short-term loans and financial receivables and note 2 Financial income/(expense) other than from derivatives.
Our audit approach	For the year-end impairment loss allowance, our procedures include an assessment of the appropriateness of quantitative and qualitative information used in relation to the calculation of the expected credit losses of the loans to and financial receivables from related companies. In order to verify the appropriateness of the Probabilities of Default (PD) used by the Company, we carried out the PD's re-performing on a sample basis, with the support of our internal specialists. We verified the correctness of the input data used and we verified the conversion of the rating into PD through Moody's and Standard & Poor's matrix. Furthermore, we have benchmarked the PD's used in the impairment allowance calculation with external sources. We have also assessed the appropriateness of the LGD percentage applied by the Company. Finally, we assessed whether the disclosures are in compliance with the EU-IFRS requirements.
Key observations	Based on our procedures performed we consider the impairment loss allowance on loans to and financial receivables from related companies to be reasonable. The disclosures on these long-term loans and financial receivables, including the impairment loss allowance, are considered appropriate and meet the requirements under EU-IFRS.

Emphasis of matter relating to Corona developments

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a Going Concern. The financial statements and our auditor's report thereon are snapshots.

The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on Enel Finance International N.V. is disclosed in the directors report and the disclosure about subsequent events after the reporting period, refer to note 24 subsequent events. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

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 including significant events in 2019, Overview of the Company's performance and financial position and the statement of the board of directors
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- Other information, comprising main risks and uncertainties, related parties, board of directors composition, and Reporting of non-financial information

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 substantially 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 Director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information required by 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

In addition to the statutory audit of the financial statements we provided services related to comfort letters and consent letters in respect of the issued prospectus.

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 EU-IFRS and 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 frameworks 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 engagement 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 detect all material errors and fraud during our audit.

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 among others:

- 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. In this respect we also submit an additional report to the audit committee of the Enel Group in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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.

Amsterdam, 18 May 2020

Ernst & Young Accountants LLP

signed by K. Tang