



**Enel Finance International N.V.**  
**Interim condensed financial statements**  
**as at 30 June 2014**

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## **Interim Director's Report**

The Interim condensed financial statements at 30 June 2014 are in compliance with the Transparency Directive and they are drawn up according to the requirements of IAS 34.

The above mentioned Transparency Directive Implementation Act (Transparency Directive) was enacted in the Netherlands in 2008 coming into force as from 1 January 2009. This law intends to achieve a certain level of transparency and disclosure of information that is conducive to investors' protection and to an efficient functioning of the market. The scope of this Act is limited to those issuers of securities that have been admitted to trading on a regulated market in a member state of either the European Union or European Economic Area and have the Netherlands as their "home member state".

### **Reference scenario**

Global economic activity is continuing to recover gradually supported by both advanced and emerging market economies, notwithstanding some moderate weakness in the first quarter of 2014. While advanced economies have gained further momentum, bolstered by continued policy support, underlying financial vulnerabilities and resurfacing geopolitical uncertainties still weigh on growth prospects in emerging economies with often limited room for policy initiatives.

Global inflation has recently increased, but remains rather low compared with historical averages. In this environment, market-based sovereign stress indicators for the euro area as a whole have fallen close to pre-crisis levels amid a continued marked turnaround in market sentiment towards more vulnerable euro area economies. At the same time, an adjustment of fiscal fundamentals across the euro area continues, with improving budgetary outcomes in a context of a gradually strengthening economic recovery. Debt sustainability challenges nonetheless remain, alongside continued potential for renewed adverse feedback between bank and sovereign distress.

Funding costs for the euro area non-financial private sector have continued to decline across most business lines, maturities and funding sources. Financing costs for euro area households are now at their lowest levels – since the reporting of harmonized euro area bank lending rates began in 2003 – for all categories of lending except consumer credit. Similarly, overall financing costs for non-financial corporations have continued to fall across most external financing sources, supported by a low interest rate environment and favorable financial market conditions. Bank lending rates have continued to decline marginally, but the latest cuts in monetary policy rates have not yet been fully passed through.

At the same time, fragmentation in lending conditions persists across countries, despite the decreased level of the euro area sovereign debt crisis. The cross-country divergence in the euro area, as measured by the range between the lowest and highest interest rate charged on loans to households, has remained at elevated levels, reflecting different country-specific risk constellations and persisting fragmentation in some euro area countries. The same holds true for corporates, where lending rates continue to vary widely across the euro area. On the one hand, this may be explained by the deteriorating creditworthiness of some corporations in more vulnerable jurisdictions owing to prolonged weak economic activity and strong uncertainty regarding the growth outlook, inducing banks to charge higher risk premia. On the other hand, the wide divergence in lending rates may reflect the spillover effects of sovereign market tensions on bank funding conditions, as well as some possible impact from banks' deleveraging strategies in the context of adjustment towards higher regulatory capital and liquidity requirements.

## **Significant events in 1st Half of 2014**

### **Funding operations**

#### *Revolving Facility Agreement*

On 8 February 2013 the Company as Original Borrower and Enel S.p.A. as Original Borrower and Guarantor have signed a “forward starting” Revolving Facility Agreement with Mediobanca – Banca di Credito Finanziario S.p.A. and a pool of banks leaded by Mediobanca for the amount of Euro 9.440 million in order to replace the existing Euro 10.000 million Revolving Credit Facility set to expire in April 2015, starting from the latter expiry date and up to April 2018.

On March 2014 the Company and Enel have considered the opportunity to early cancel the existing facility under 2010 Revolving Facility agreement and, consequently, to anticipate the availability period of 2013 Revolving Facility agreement.

On 18 March 2014, the 2010 Revolving Facility agreement has been closed and the 2013 Revolving Facility agreement has become effective.

### **Lending Operations**

#### *Intercompany financial operations*

On June 2014 the Company has resolved to enter as lender into two new intercompany financial agreements with Enel Green Power S.p.A. as borrower:

- > Euro 500 million Intercompany L/t Loan (duration: 15 years);
- > Euro 500 million Intercompany Revolving Credit Line (expiry date: 31/12/2014 with extension option).

These intercompany financial agreements are aimed at providing Enel Green Power S.p.A. (EGP), as holding of renewable group, with a diversified portfolio of financial instruments, allowing more flexibility in the coverage of the financial needs and also financing the capital expenditure programs to be realized inter alia by means of capital increase of his operating subsidiary.

Such initiative, within the financial model adopted by Enel Group, allows also the Company to further expand its lending portfolio in terms of counterparties, risk and interest rate diversification.

### **BEG litigation**

BEG, an Albanian renewable energy company initiated an arbitration proceeding against Enel S.p.A. and Enelpower S.p.A. concerning the construction of a hydroelectric power station in Albania.

This litigation is being conducted on two fronts, one in Italy, the other in Albania. In Italy, with its ruling of 20 October 2010, the Supreme Court upheld the decision of the Rome Court of Appeal of 7 April 2009, which rejected BEG’s appeal of the unfavorable arbitration ruling of 6 December 2002.

In Albania, with a ruling of 7 March 2011, the Albanian Supreme Court denied the appeal lodged by Enel S.p.A. and Enelpower S.p.A. against the ruling of the Albanian Court of Appeal, which on 28 April 2010 had upheld the decision of the Court of Tirana awarding Albania BEG Ambient (a subsidiary of BEG) tortious damages of about Euro 25 million for 2004 as well as an unspecified amount of tortious damages for subsequent years. In a letter of 26 April 2011, Albania BEG

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Ambient, referring to the above ruling of the Albanian court, requested payment of more than Euro 430 million.

In June 2014, Albania BEG Ambient Shpk, announced that it had filed suit with the courts in The Netherlands to render the ruling of the Albanian court enforceable in that country. Pending the proceedings, Albania BEG Ambient Shpk obtained a preliminary injunction from the Court in The Hague freezing up to Euro 440 million held with the Company and the establishment of a lien on the shares of the Company. Enel S.p.A. and Enelpower S.p.A. challenged that ruling and on 1 July 2014, the Dutch court, in granting the petition of Enel S.p.A. and Enelpower S.p.A., provisionally determined the value of the suit at amount Euro 25 million and, pending the exequatur proceeding, ordered the removal of the preliminary injunction subject to the issue of a bank guarantee (to be enforced only in the case of a final decision recognizing the enforceability of the Albanian ruling) in the amount of Euro 25 million by Enel S.p.A. and Enelpower S.p.A..

On 3 July 2014 Albania BEG Ambient Shpk sought to obtain a new injunction but the court denied the request and scheduled a hearing of the parties. To date, Albania BEG Ambient Shpk has not initiated proceedings on the substance of its claims.

## **Main Risks and uncertainties**

### **Credit risk**

Credit Risk is the risk that the Company will suffer from losses when a counterparty defaults on meeting its obligations on a trade or financial transaction. In compliance with counterparty credit risk policy defined at Enel Group level, the Company operates almost entirely in its lending activity with other entities belonging to the Enel Group and therefore the level of credit risk is deemed negligible by the Company. There are few and not significant transactions entered into and by market counterparties with high credit standards as regards financial derivatives intended to hedge currency risks on commercial paper issued by the Company.

### **Liquidity risk**

Liquidity Risk is the risk that the Company will become unable to settle obligations with immediacy, or will be able to meet them only at uneconomic conditions. Enel Finance International N.V. together with its shareholder Enel S.p.A. is responsible for the centralized Enel Group Treasury function, meeting liquidity requirements primarily through cash flows generated by ordinary operations and drawing on a range of sources of financing. In addition, it manages any excess liquidity as appropriate.

### **Exchange rate and interest rate risk**

The Company is exposed to exchange rate risk associated with cash flows in respect of investments or other items in foreign currencies and debt denominated in currencies other than the functional currency of the Company. During the period, management of exchange rate risk was pursued through compliance with Enel Group's risk management policies, which call for hedging of significant exposures, encountering no difficulties in accessing the derivatives market. Interest rate risk management is aimed at balancing the structure of the debt, reducing the amount of debt exposed to interest rate fluctuations and minimizing borrowing costs over time, limiting the volatility of results. The main source of the exposure to this category of risk for the Group is floating-rate debt. In order to obtain a balanced structure for the debt, Enel Finance International N.V. manages the risk by reducing the amount of debt exposed to interest rate fluctuations, curbing borrowing costs over time and limiting the volatility of results.

### **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 the second half of 2014, with the aim to maintain the same funding and lending activities currently ongoing, keeping on supporting Enel Group in its developing and consolidation process.

## **Board of Directors composition**

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

## **Subsequent events**

There have been no significant subsequent events to be mentioned.

## **Personnel**

As at 30 June 2014 the Company employs eight people.

## **Statement of the Board of Directors**

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

To our knowledge,

1. the interim condensed financial statements at 30 June 2014 in combination with the annual report as at 31 December 2013 give a true and fair view of the assets, liabilities, financial position and result of Enel Finance International N.V.;
2. the Director's Report gives a true and fair view of the Company's position as per 30 June 2014 and the developments during the half-year of 2014 of Enel Finance International N.V.;
3. the Director's Report describes the principal risks the Company is facing.

These interim condensed financial statements are in compliance with the Transparency Directive and they are drawn up according to the requirements of IAS 34 with no external audit activity performed on the Group half-year financial statements.

The above mentioned Transparency Directive Implementation Act (Transparency Directive) was enacted in the Netherlands in 2008 coming into force as from 1 January 2009. This law intends to achieve a certain level of transparency and disclosure of information that is conducive to investors' protection and to an efficient functioning of the market. The scope of this Act is limited to those issuers of securities that have been admitted to trading on a regulated market in a member state of either the European Union or European Economic Area and have the Netherlands as their "home member state".

As regards the Company main obligations can be summarized as follows:

- > filing electronically with the AFM (Autoriteit Financiële Markten) in the Netherlands its adopted half-year financial statements within 5 days after their adoption;
- > making generally available to the public its half-year financial report via posting it on the official Enel website within 2 months after the end of the first six month of the financial year (29 august 2014);
- > making generally available to the public its half-year financial report by issuing an information notice on a financial newspaper or on a financial system at European level within 2 months after the end of the first six month of the financial year (29 august 2014).

Amsterdam, 28 July 2014

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



**Enel Finance International N.V.**

**Unaudited interim condensed financial statements  
as at 30 June 2014**

**Prepared in accordance with  
requirements of IAS 34**

## Statement of Comprehensive Income

Millions of Euro	Note	1st Half	
		2014	2013
Other revenues and income		0	0
Services	1	(1)	(1)
Personnel	1	(1)	(1)
<b>Result from operating activities</b>		<b>(2)</b>	<b>(2)</b>
Financial income	2	934	989
Financial expense	2	(862)	(902)
	<i>Total</i>	<b>72</b>	<b>87</b>
<b>Profit before income taxes</b>		<b>70</b>	<b>85</b>
Income tax expense	3	14	21
<b>Net income for the period</b>		<b>56</b>	<b>64</b>
<b>Other components of comprehensive income recyclable to profit or loss in future periods:</b>			
- Effective portion of change in the fair value of cash flow hedges		(262)	(329)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDER</b>		<b>(206)</b>	<b>(265)</b>

## Statement of Financial Position

Millions of Euro	Note		
<b>ASSETS</b>		<b>30 June 2014</b>	<b>31 Dec 2013</b>
<b>Non-current assets</b>			
Non-current financial assets	4	27.039	27.056
	<i>Total</i>	<b>27.039</b>	<b>27.056</b>
<b>Current assets</b>			
Current financial assets	5	2.477	2.271
Income tax receivable	6	3	4
Cash and cash equivalents	7	3	10
	<i>Total</i>	<b>2.483</b>	<b>2.285</b>
<b>TOTAL ASSETS</b>		<b>29.522</b>	<b>29.341</b>

Millions of Euro			
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>30 June 2014</b>	<b>31 Dec 2013</b>
Share capital	8	1.479	1.479
Share premium reserve	8	43	43
Cash flow hedge reserve	8	(1.230)	(968)
Retained earnings		270	172
Net income for the period		56	98
<b>Total shareholder's equity</b>		<b>618</b>	<b>824</b>
<b>Non-current liabilities</b>			
Long-term loans and borrowings	9	19.100	20.173
Other non-current financial liabilities	10	888	794
	<i>Total</i>	<b>19.988</b>	<b>20.967</b>
<b>Current liabilities</b>			
Short-term loans and borrowings	11	6.161	6.175
Current portion of long-term loans	9	2.163	905
Other current financial liabilities	12	580	468
Other current liabilities		12	2
	<i>Total</i>	<b>8.916</b>	<b>7.550</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29.522</b>	<b>29.341</b>

## Statement of Changes in Equity

Millions of euro

	Share capital	Share premium reserve	Other legal reserve	Other reserves	Retained earnings	Cas flow hedge reserve	Net income for the period	Equity attributable to the shareholders
<b>1 Jan 2013</b>	<b>1.479</b>	<b>43</b>	-	-	<b>99</b>	<b>(646)</b>	<b>73</b>	<b>1048</b>
Allocation of net income from the previous year	-	-	-	-	73	-	(73)	-
Comprehensive income for the year:	-	-	-	-	-	(329)	-	(329)
<i>Loss recognized directly in equity</i>	-	-	-	-	-	(329)	-	(329)
<i>Net income for the period</i>	-	-	-	-	-	-	64	64
<b>30 June 2013</b>	<b>1.479</b>	<b>43</b>	-	-	<b>172</b>	<b>(975)</b>	<b>64</b>	<b>783</b>
<b>1 Jan 2014</b>	<b>1.479</b>	<b>43</b>	-	-	<b>172</b>	<b>(968)</b>	<b>98</b>	<b>824</b>
Allocation of net income from the previous year	-	-	-	-	98	-	(98)	-
Comprehensive income for the year:	-	-	-	-	-	(262)	56	(206)
<i>Loss recognized directly in equity</i>	-	-	-	-	-	(262)	-	(262)
<i>Net income for the period</i>	-	-	-	-	-	-	56	56
<b>30 June 2014</b>	<b>1.479</b>	<b>43</b>	-	-	<b>270</b>	<b>(1.230)</b>	<b>56</b>	<b>618</b>

# Statement of Cash Flows

Millions of euro	Note	Half year	
		2014	2013
<b>Income for the period</b>		<b>56</b>	<b>64</b>
<b>Adjustments for:</b>			
Financial (income)	2	(934)	(989)
Financial expense	2	862	902
Income taxes	3	14	21
<i>Cash flow from operating activities before changes in net current</i>		<i>(2)</i>	<i>(2)</i>
(Increase)/Decrease in financial and non-financial assets/liabilities	5	(89)	-
Interest income and other financial income collected		720	727
Interest expense and other financial expense paid		(502)	(627)
Income taxes paid		(7)	(7)
<b>Cash flows from operating activities (a)</b>		<b>120</b>	<b>91</b>
<i>New loans granted to Enel S.p.A. and affiliates</i>	4-5	<i>(104)</i>	<i>(2.343)</i>
<i>Repayments and other movements from Enel S.p.A. and affiliates</i>	4-5	<i>38</i>	<i>500</i>
<b>Cash flows from investing/disinvesting activities (b)</b>		<b>(66)</b>	<b>(1.843)</b>
Financial debt (new borrowings)	9-11	758	3.055
Financial debt (repayments and other changes)		(766)	(993)
<b>Cash flows from financing activities (c)</b>		<b>(8)</b>	<b>2.062</b>
<b>Increase/(Decrease) in cash and cash equivalents (a+b+c)</b>		<b>46</b>	<b>310</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>232</b>	<b>110</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>278</b>	<b>420</b>
<i>current account with banks</i>		<i>3</i>	<i>1</i>
<i>current account with Enel S.p.A.</i>		<i>275</i>	<i>419</i>

## **Notes to the financial statements**

Enel Finance International N.V. ("the Company") is a public company with limited liability, where 100% of the shares are held by Enel S.p.A., the ultimate parent company, having its seat in Rome, Italy. The Company operates as a financing company for the Enel Group, raising funds through listed and unlisted bond issuances, loans and other facilities and on turn lending the funds so raised exclusively to the companies belonging to Enel Group.

### **Accounting policies and measurement criteria**

#### **Basis of preparation**

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

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

- > Derivative financial instruments, valued at fair value;
- > Loans and receivable and financial liabilities recognized at amortized cost.

#### **Compliance with IFRS**

The interim condensed financial statements for the six months ended at 30 June 2014 have been prepared in compliance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) in effect at the same date. All of these standards and interpretations are hereinafter referred to as "IFRS-EU".

More specifically, the interim condensed financial statements have been drawn-up in compliance with IAS 34 – Interim financial reporting and consist of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes.

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

The accounting standards adopted, the recognition and measurement criteria and methods used for the condensed interim financial statements at 30 June 2014 are the same as those adopted for the financial statements at 31 December 2013 (please see the related report for more information). These condensed interim financial statements may therefore not include all the information required to be reported in the annual financial statements and must be read together with the financial statements for the year ended 31 December 2013. No impairment evaluation has been performed in this half year financial statement.

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In addition to the IFRS/IAS adopted for the preparation of Group Enel consolidated financial statements as of 31 December 2013, the following standards and amendments are applicable retrospectively:

- > "Amendments to IAS 32 - Financial instruments: Presentation - Offsetting financial assets and financial liabilities", issued in December 2011. The new version of IAS 32 establishes that financial assets and financial liabilities shall be offset and the net amount reported in the balance sheet if, and only if, both of the following conditions are met:
  - a) the entity currently has a legally enforceable right to set off the recognised amounts; and
  - b) it intends either to settle them on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Amendments to IAS 32 clarify that, in order to meet the first requirement, the right to offset must not be contingent on a future event; and it has to be legally enforceable both in the normal course of business, and in case of default, insolvency or bankruptcy.

The intention to settle financial assets and financial liabilities on a net basis can be proved by the normal business practice, the requirements of the financial markets and other circumstances that may limit the ability to settle net or to settle simultaneously. The amendments to IAS 32 clarifies that a gross settlement mechanism may be likened to net settlement or to simultaneously settling only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and it processes receivables and payables in a single settlement process or cycle.

- > "Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting", issued in June 2013. The amendments are intended to allow entities, under certain conditions, to continue hedge accounting in the case of novation of the hedging instrument with a central counterparty as a result of the introduction of a new law or regulation.

The application of the above mentioned new standards, amendments and interpretations didn't have an impact for the Company leading to an improved presentation of Items of Other Comprehensive Income.

## **Risk management**

### **Market risk**

As a part of its operations, Enel Finance International N.V. is exposed to a variety of market risks, notably the risk of changes in interest rates and exchange rates.

Enel Finance International N.V., acting as a financial intermediary, provides the necessary resources to Enel Group companies with the funding activity performed in the international capital markets.

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

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

The fair value of listed instruments is the market price as of 30 June 2014. The fair value of over the counter (OTC) instruments is calculated with standard pricing models for each instrument typology. The expected future cash flows are discounted with market interest rate curves, while foreign currency amounts are converted to Euro using the official European Central Bank exchange rates as of 30 June 2014.

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

In particular, the Company measures the CVA/DVA based on the net exposure taking into account any existing arrangements that mitigate credit risk exposure in the event of default and, subsequently, allocating the adjustment on each financial instrument that constitutes the portfolio.

In order to measure the CVA / DVA, the company uses a valuation technique based on the Potential Future Exposure, whose inputs are observable on the market. No changes occurs in evaluation criteria over the reporting period.

The notional amount of a financial derivative is the nominal on which payments are calculated.

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

### *Interest rate risk*

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

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

Interest rate swaps are set on 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.

At 30 June 2014, 2% of long term debt towards third parties was floating rate. Taking into account interest rate derivatives designated as cash flow hedge considered effective pursuant to the IFRS – EU, only 0,2% of such debt was still exposed to interest rate risk.



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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 financial position.

An increase (decrease) of 25 basis point in market interest rates wouldn't have any relevant impact on the income statement in terms of higher (lower) interest net expenses (any relevant impact at 31 December 2013).

As regards the potential impact on equity of a change in interest rates, if interest rates rate would have been 25 basis point higher as of 30 June 2014, all other variables being equal, net equity would have increased by Euro 5 million (Euro 4 million at 31 December 2013) due to the increase of the fair value of cash flow hedge derivatives. Conversely, if interest rates rate would have been 25 basis point lower, all other market data remaining stable, net equity would have decreased by Euro 5 million (Euro 4 million at 31 December 2013) due to decrease of fair value of Cash Flow Hedge derivatives.

### *Exchange rate risk*

Exchange rate risk is a type of risk that arises from the change in price of one currency against another. Enel Finance International NV exposure to such risk is mainly due to foreign currency 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 of the hedged items.

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.

As regards the potential impact on equity of a change in foreign exchange rates as of 30 June 2014, assuming a 10% depreciation of Euro against other currencies, all other variables being equal, equity would have been about Euro 1.291 million higher (1.225 million at 31 December 2013) as a result of the increase of the fair value of Cash Flow Hedge derivatives. Conversely, assuming a 10% appreciation of Euro against other currencies, all other variables being equal, equity would have been about Euro 1.056 million lower (1.002 million at 31 December 2013) as a result of the decrease of the fair value of Cash Flow Hedge derivatives.

### **Credit risk**

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

In compliance with counterparty credit risk policy defined at Group level, the Company is operating solely with market counterparties with high credit standing and with other Entities belonging to the Enel Group.

### **Liquidity risk**

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

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Moreover, the Company has access to the following credit lines fully available as at 30 June 2014: (i) a long term revolving credit line for an amount up to Euro 4.720 million, for further details please refer to paragraph "9 Long-term loans and borrowings"; (ii) a facility agreement with UniCredit Bank Slovakia a.s., signed during the previous year and amounting to Euro 140 million. The Company has also an outstanding commercial paper programs with a maximum ceiling of Euro 6.000 million, of which only Euro 2.069 million drawn as at 30 June 2014.

As further liquidity reserve, in 2013 the Company entered into a short term revolving agreement with Enel S.p.A. with a commitment amount of Euro 2.500 million fully available as at 30 June 2014. Furthermore Enel S.p.A. has confirmed through a letter dated 27 February 2014 its commitment to explicitly provide the Company with the financial support until the date of approval of full year 2014 financial statements of the Company.

## **Notes to the statement of comprehensive income**

### **1 Result from operating activities – Euro (2) million**

Result from operating activities is negative for Euro 2 million with no changes compared to previous year. The costs refer to services (mainly related to legal and consultancy charges) for Euro 1 million and to personnel costs for Euro 1 million.

### **2 Financial income/(expense) – Euro 72 million**

Millions of Euro	Half year		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<i>Financial income:</i>			
- interest and other income from financial assets	687	745	(58)
- foreign exchange gains	12	155	(143)
- income from trading derivative instruments	45	40	5
- income from CFH derivative instruments estimated	172	-	172
- income from CFH derivative instruments realised	18	49	(31)
<b>Total finance income</b>	<b>934</b>	<b>989</b>	<b>(55)</b>
<i>Financial expense:</i>			
- interest and other charges on financial debt	(624)	(663)	39
- foreign exchange losses	(174)	(45)	(129)
- expense on trading derivative instruments	(55)	(43)	(12)
- expense on CFH derivative instruments estimated	-	(139)	139
- expense on CFH derivative instruments realised	(9)	(12)	3
<b>Total financial expense</b>	<b>(862)</b>	<b>(902)</b>	<b>40</b>
<b>Net finance result recognised</b>	<b>72</b>	<b>87</b>	<b>(15)</b>

Interest and other income from financial assets reduced to Euro 687 million, down Euro 58 million on 30 June 2013. The variation is mostly due (Euro 70 million) to the early repayment by Enel S.p.A., during the second half of 2013, of the Loan Agreement originally dated 28 December 2007 and amounting to Euro 2.500 million.

The above mentioned decrease has been partially compensated by the increased interest income stemming from the new three medium-term loans granted by the Company to Group subsidiaries in October 2013, as below detailed:

- > Interest income from Enel Produzione S.p.A. (Euro 9 million) attributable to the long-term loan granted by the Company for an aggregate amount of Euro 1.000 million and bearing fixed interest equal to 1,70%;
- > Interest income from Enel Trade S.p.A. (Euro 6 million) attributable to the long-term loan granted by the Company for an aggregate amount of Euro 700 million and bearing fixed interest equal to 1,70%;

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- > Interest income from Enel Energia S.p.A. (Euro 3 million) attributable to the long-term loan granted by the Company for an aggregate amount of Euro 300 million and bearing fixed interest equal to 1,70%.

Interests and other charges on financial debt dropped to Euro 624 million with a variation of Euro 39 million on 30 June 2013. The decrease of interest charges is attributable, for an amount of Euro 64 million, to the early repayment, during the last quarter of the previous year, of the following long term loans signed on February 2012 with: (i) a pool of major international banks for an amount of Euro 3.200 million; (ii) JP Morgan Chase Bank N.A. (Euro 250 million); (iii) Banco Bilbao Vizcaya Argentaria S.A. (Euro 100 million).

The above described variations have been partially off-set by the increase of the following financial charges and amortization fees:

- > amortization fees amounting to Euro 7 million arising out of the early cancellation of the Revolving Facility Agreement signed on 19 April 2010;
- > financial charges by Euro 5 million due essentially to new Bond issuances (issuances principally related to the second quarter of 2013);
- > financial charges amounting to Euro 4 million and related to the deposit account agreement granted in November 2013 to Enel Investment Holding B.V.;
- > financial charges amounting to Euro 3 million and related to the increased amount of the short term deposits with Enel Servizio Elettrico, occurred during the second half of 2013.

The net foreign exchange losses amount to Euro 162 million and they are mainly due to the appreciation of the notes denominated in foreign currencies against euro. The amount of those estimated foreign exchange losses arisen from non-euro bonds are entirely covered by the correspondent reversal of the Cash Flow Hedge equity reserve resulting in financial income.

Net loss from trading derivative instruments amounting to Euro 10 million refers to the income statements effect of derivative instruments related to Commercial Paper and Intercompany Loan transactions denominated in currencies other than euro.

### 3 Income tax expense – Euro 14 million

Millions of Euro	Half year	
	2014	2013
Profit before income taxes	70	85
Tax at nominal tax rate (25%)	17	21
Tax effect on non-taxable income	3	-
<b>Current Taxation</b>	<b>14</b>	<b>21</b>

In line with IAS 34, until the previous interim period financial statements, income tax has been accrued based on the estimated average income tax rate by applying 25% on the profit before tax

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taking into account the bracket of 20% to be applied on the first Euro 0,2 million of profit before tax. Starting from these condensed interim financial statements the Company calculates its corporate income tax by implementing a more accurate model which reflects the Advanced Pricing Agreement concluded with the Dutch tax authorities.

## Notes to the statement of financial position

### 4 Non-current financial assets – Euro 27.039 million

Millions of Euro

	30 June 2014	31 Dec 2013	Change
<b>Financial Instruments at fair value through other comprehensive income</b>			
Cash flow hedges			
- Foreign exchange contracts	41	41	0
- Interest rate contracts	-	2	(2)
Trading derivatives			
- Interest rate contracts	1	-	1
<b>Total Instruments at fair value through other comprehensive income</b>	<b>42</b>	<b>43</b>	<b>(1)</b>
<b>Loans and receivables</b>			
- Loans to Enel Group Entities	26.955	26.953	2
- other items	42	60	(18)
<b>Total loans and receivables</b>	<b>26.997</b>	<b>27.013</b>	<b>(16)</b>
<b>Total non-current financial assets</b>	<b>27.039</b>	<b>27.056</b>	<b>(17)</b>

Non-current financial assets comprise:

#### Loans to Enel Group Entities

This item refers to medium long-term loans granted to Enel Group companies and are detailed as follows:

Millions of Euro

	30 June 2014	31 Dec 2013	Change
Loan receivable from Enel Energy Europe S.A.	15.000	15.000	-
Loan receivable from Enel Green Power International B.V.	2.455	2.453	2
Loan receivable from ENEL Produzione S.p.A.	3.000	3.000	-
Loan receivable from ENEL Distribuzione S.p.A.	5.500	5.500	-
Loan receivable from Enel Trade	700	700	-
Loan receivable from Enel Energia	300	300	-
<b>Total non-current financial receivables</b>	<b>26.955</b>	<b>26.953</b>	<b>2</b>

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The decrease, amounting to Euro 2 million, of financial receivables is essentially due to the restructuring of long term loans, granted to Enel Green Power International BV since 2010 with original maturity date March 2018, refinanced at the end of 2013 with a new 10Y long term credit line with final maturity July 2023.

### Cash flow hedge derivatives

Cash flow hedge derivatives are used by the Company to hedge the exchange rate and interest rate fluctuations of bonds and long-term loans or receivables (for further details see par. "Risk Management").

The following table shows the amount of derivative contracts detailed on the basis of the hierarchy of inputs used to determine fair value, as specified by IFRS 7:

Millions of Euro				
	Fair value as 30 June 2014	Level 1	Level 2	Level 3
Cashflow hedge derivatives on exchange rate	41		41	
Trading derivatives on interest rate	1		1	
<b>Total</b>	<b>42</b>		<b>42</b>	

### Other items

Other items refer to the prepayments related to the new forward start revolving facility agreement signed in February 2013. The decrease (Euro 18 million) principally refers to: (i) the release in income statement of the Up-front fees (Euro 10 million) due to the early cancellation of the Revolving Facility Agreement signed on 19 April 2010, as replaced with the new revolving facility agreement which anticipates the availability period to 2013; (ii) the cost portion accrued in the period (Euro 7 million).

As at 30 June 2014 non-current financial assets do not include neither past due nor impaired items.

## **5 Current financial assets – Euro 2.477 million**

Millions of Euro			
	30 June 2014	31 Dec 2013	Change
Financial receivables	2.111	1.993	118
Trading derivatives	1	9	(8)
Cash flow hedge derivatives	58	51	7
Other current financial assets	307	218	89
<b>Total</b>	<b>2.477</b>	<b>2.271</b>	<b>206</b>

Current financial assets essentially consist of financial receivables like short-term loans or credit revolving facilities granted to Enel Group companies as well as derivative instruments.

## Enel Finance International N.V.

### Financial receivables

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

Million of Euro			
	30 June 2014	31 Dec 2013	Change
Revolving short-term facility agreement with Enel Produzione	1.000	1.000	-
Multicurrency revolving facility agreement with Enel Green Power International BV	620	517	103
Revolving short-term facility agreement with Marcinelle Energie S.A.	198	210	(12)
Revolving short-term facility agreement with Enel Energy Europe	-	22	(22)
Loan facility agreement with Enel Lease Sàrl	18	22	(4)
Enel S.p.A. - IC Account receivable	275	222	53
<b>Total short term loans granted to Enel Group affiliates</b>	<b>2.111</b>	<b>1.993</b>	<b>118</b>

The Euro 118 million increase in Financial receivables is due to the ordinary management of the working capital of the Group affiliates.

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

Millions of Euro						
	Financial relationship	Commitment amount until 31 Dec 2014	Commitment amount starting from 31 Dic. 2012	Rate of Interest	Spread until 30 Dec 2014	Commitment fee until 31 Dec 2014
Marcinelle Energie S.A.	Revolving credit facility	215	242	3M Euribor	3,25%	0,1000%
Enel Lease S.à r.l.	Revolving credit facility	30	30	3M Euribor	2,00%	0,1000%
Enel S.p.A.	Short-term deposit agreement	N/A	N/A	Euribor	0.2% / 0.50%	N/A
Enel Produzione S.p.A.	Revolving credit facility	1.000	2.000	Euribor	1,40%	N/A
Enel Energy Europe S.A.	Short-term revolving facility	2.000	2.000	Euribor	1,60%	0,1000%
EGPI B.V.	Multicurrency short-term revolving facility	1.200	1.200	3M Euribor	2.05%	0,2000%
EGPI B.V.	Multicurrency short-term revolving facility	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	Libor 3M	2,05%	N/A
EGPI B.V.	Multicurrency short-term revolving facility	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	3M Robor	2,05%	N/A
Enel Trade Romania S.r.l.	Revolving credit facility	10 <sup>(2)</sup>	40 <sup>(2)</sup>	3M Robor	2,75%	0,1000%
Enel Trade Doo	Revolving credit facility	5		3M Euribor	1,50%	0,1000%
Enel Slovelect	Revolving credit facility	140		Euribor	1,10%	0,3500%

<sup>(1)</sup> Millions of USD

<sup>(2)</sup> Millions of RON

### Derivative instruments

Derivative instruments refer to currency swaps used by the Company to hedge the exchange rate fluctuations on intercompany current accounts and current loans granted to Enel Group affiliates.

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The following table shows the amount of derivative contracts detailed on the basis of the hierarchy of inputs used to determine fair value, as specified by IFRS 7:

Millions of Euro				
	Fair value as 30 June 2014	Level 1	Level 2	Level 3
Cashflow hedge derivatives on exchange rate	58		58	
Trading derivatives on exchange rate	1		1	
<b>Total</b>	<b>59</b>		<b>59</b>	

### Other current financial assets

Other current financial assets aggregate refer to: (i) accrued income related to the long-term loan and short-term credit lines granted to Enel S.p.A. to other Enel Group affiliates; (ii) other receivables towards Enel Group affiliates. The increase essentially refers to financial receivables from Enel Investment Holding BV (Euro 81 million) not yet collected and related to the rollover of a forex transaction issued by the Company.

As at 30 June 2014 current financial assets do not have neither past due nor impaired items.

### **6 Income tax receivable – Euro 3 million**

During the previous year the Company has paid income tax for a total amount of Euro 16 million in relation with fiscal year 2013 while the actual 2013 tax charge amounts to Euro 13 million, hence the Company has accounted for an income tax receivables of Euro 3 million collectable after the submission of the tax return.

### **7 Cash and cash equivalents – Euro 3 million**

Millions of Euro			
	30 June 2014	31 Dec 2013	Change
Cash and cash equivalents	3	10	(7)
<b>Total</b>	<b>3</b>	<b>10</b>	<b>(7)</b>

The decrease (Euro 7 million) of Cash and cash equivalents results from the cash optimization strategy performed by the Company on liquidity generated in the period.

For the purpose of Cash Flows Statement, cash and cash equivalents also include the positive amount of the current account held with the Parent Company. With reference to 30 June 2014, the amount of the current account is positive for Euro 275 million and it has been classified as current financial assets.

### **8 Shareholder's equity – Euro 618 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.



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The issued and paid-up share capital amounts to Euro 1.478,8 million represented by 1.478.810.370 shares with nominal value of Euro 1,0 each.

### Share premium reserve – Euro 43 million

The reserve arises from the cross-border merger finalized during 2010 between Enel Finance International S.A. and Enel Trading RUS B.V.

The difference between the book value of the assets and liabilities absorbed and the amounts of the new shares issued has been accounted for in this share premium reserve following the “contribution in kind” method as detailed below:

#### *Accounting effects of the merger on equity reserves*

Millions of Euro	
	1 Dec 2010
Book value assets	22.171
Book value liabilities	21.121
Recognition of Equity Reserve from measurement of financial instruments	(471)
Net value of the asset/liabilities merged	1.522
New shares issued	1.479
<b>Share premium reserve</b>	<b>43</b>

### Cash flow hedge Reserve – Euro (1.230) million

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

Millions of Euro					
	31 Dec 2013	Gain/(Losses) recognized in equity for the period	Released to income statement	Taxes	30 June 2014
Gains/Losses on change in fair value of the effective portion of CFH Derivatives on interest and exchange rates (IAS 39)	(968)	(90)	(172)	-	(1.230)
<b>Total gains/(losses) recognized in equity</b>	<b>(968)</b>	<b>(90)</b>	<b>(172)</b>	<b>-</b>	<b>(1.230)</b>

The negative variation of Euro 262 million is due to:

- > the losses (Euro 90 million) on change in fair value of derivatives. The variation refers to: (i) a decrease of fair value measurement of cross currency interest rate swap derivatives on bonds (Euro 74 million); (ii) a decrease of fair value measurement of interest rate swap derivatives on long-term loans (Euro 16 million);
- > the release (Euro 172 million) to income statement aimed to hedge the result of the underlying hedged financial liabilities when they impact the Company Income Statement.

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### 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:

Millions of Euro		
	30 June 2014	30 June 2013
Total Equity	618	783
Cash Flow Hedge reserve	(1.230)	(975)
Adjusted Equity	1.848	1.758
Net Finance result	72	87
<b>Return of capital (*)</b>	<b>4%</b>	<b>5%</b>

\* Key Performance Indicator determined on half year 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 the first six months of 2014. The Company is not subject to externally imposed capital requirements.

### **9 Long-term loans and borrowings (including the portion falling due within twelve months for Euro 2.163) – Euro 21.263 million**

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

The aggregate includes long-term payables in respect of bonds in Euro and other currencies.

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The following table shows long-term debt and repayment schedules at 30 June 2014, grouped by loan and interest rate type:

Millions of Euro

	Maturing	Balance	Nominal value	Balance	Current portion	Portion falling due after more than 12 months	Maturing in					
		30 Jun 2014	30 Jun 2014	31 Dec 2013			II Half 2015	2016	2017	2018	Beyond	
<b>Bond</b>												
Listed Bond (Fixed rate)	2015-2040	15.374	15.495	15.242	1.248	14.126	123	1.496	995	2.356		9.156
Listed Bond (Floating rate)	2022-2025	344	350	344	-	344	-	-	-	-		344
Unlisted Bond (Fixed rate)	2014-2039	5.249	5.292	5.196	915	4.334	-	-	1.095	-		3.239
<b>Total Bond</b>	<b>2014 - 2040</b>	<b>20.967</b>	<b>21.137</b>	<b>20.782</b>	<b>2.163</b>	<b>18.804</b>	<b>123</b>	<b>1.496</b>	<b>2.090</b>	<b>2.356</b>		<b>12.739</b>
<b>GMTN Internal Assumption - towards EIH BV</b>												
EUR (Fixed-rate)	2023	296	300	296	-	296	-	-	-	-		296
<b>Total GMTN Internal</b>	<b>2023</b>	<b>296</b>	<b>300</b>	<b>296</b>	<b>-</b>	<b>296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>296</b>
<b>TOTAL</b>	<b>2014-2040</b>	<b>21.263</b>	<b>21.437</b>	<b>21.078</b>	<b>2.163</b>	<b>19.100</b>	<b>123</b>	<b>1.496</b>	<b>2.090</b>	<b>2.356</b>		<b>13.035</b>

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

Millions of Euro					
	30 June 2014	30 June 2014	31 Dec 2013	30 June 2014	
	Balance	Nominal value	Balance	Current interest rate	Effective interest rate
<b>Total Euro</b>	<b>12.572</b>	<b>12.676</b>	<b>12.560</b>	<b>4,68%</b>	<b>4,83%</b>
US dollar	5.091	5.125	5.043	5,57%	5,75%
British pound	2.773	2.807	2.665	5,70%	5,82%
Swiss Franc	599	601	593	2,85%	2,91%
Japanese yen	227	228	217	2,43%	2,46%
<b>Total non-Euro currencies</b>	<b>8.691</b>	<b>8.760</b>	<b>8.518</b>		
<b>TOTAL</b>	<b>21.263</b>	<b>21.437</b>	<b>21.078</b>		

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

Millions of Euro						
	Nominal value	New financing	Capitalised interests on ZCB	Repayments	Exchange rate differences	Nominal value
	31 Dec 2013					30 Jun 2014
Bonds in non-Euro currencies and Euro currency	21.260	-	4	-	173	21.437
<b>Total long-term financial debt</b>	<b>21.260</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>173</b>	<b>21.437</b>

## **Enel Finance International N.V.**

### *Global Medium Term Note Programme*

On 24 May 2012 the Company entered into an update of the Euro 30.000 million GMTN Programme, pursuant to which the Company and Enel S.p.A. (the Guarantor) may from time to time issue notes in bearer form and in order to get any possible market opportunities for new bonds issuance.

On 18 September 2012 the Company resolved (i) the revocation of its resolution dated 14 November 2011 for the still-to-be-executed part of approximately Euro 370 million and (ii) the issuance of notes or bonds to be performed by 31 December 2013 for an aggregate maximum principal amount of up to Euro 5.000 million.

On 19 December 2012 the Company resolved the increase of the aggregate nominal amount of the Programme from Euro 30.000 million to Euro 35.000 million.

On 14 May 2013 the BOD and the Shareholder of the Company resolved about the update of the GMTN Programme up to Euro 35.000 million, pursuant to which the Company and Enel S.p.A. (the Guarantor) may from time to time issue notes in bearer form in order to get any possible market opportunities for new bonds issuance.

The relevant deeds have been signed on 29 May 2013 and the Irish Central Bank of hereby approved the Base Prospectus on the same date.

During the first six months of 2014 the Company did not issue new notes.

### *Revolving Facility Agreement*

On 19 April 2010 Enel and the Company, entered into an Euro 10.000 million revolving credit facility agreement, with 5 years duration and final expiry on 19 April 2015, with the aim to get both a liquidity reserve and a back up for the Euro Commercial Paper Programme.

The cost of the credit line vary depending upon Enel S.p.A.'s pro tempore rating, offering at the signing rating levels a margin of 85 basis points above Euribor with commitment fees of 40% of the applicable margin.

On 7 February 2013 the Board of Directors of the Company, following the resolution of Enel's board of directors dated 17 January 2013 and in order to maintain for the next years a liquidity position compliant with the market assessments, resolved to refinance the Euro 10.000 million Revolving Credit Facility and to extend up to April 2018 the original expiry date.

Following those resolutions, on 8 February 2013 the Company as Original Borrower and Enel S.p.A. as Original Borrower and Guarantor have signed a "forward starting" Revolving Facility Agreement with Mediobanca – Banca di Credito Finanziario S.p.A. and a pool of banks leaded by Mediobanca for the amount of Euro 9.440 million that will replace the existing Euro 10.000 million Revolving Credit Facility (currently not drawn) set to expire in April 2015, starting from the latter expiry date and up to April 2018.

Such revolving credit line is "forward starting", meaning that it may be used starting either from the expiry date of the abovementioned Euro 10.000 million Revolving Credit Facility or from a previous date thanks to the possible early cancellation of the existing one.

On March 2014, following an assessment of the financial position at level of Enel Group and taking into consideration that, starting from April 2014 the original 2010 Revolving Facility Agreement was no longer considered relevant by the rating agencies for the purposes of calculation of the liquidity position of Enel Group, the Company and Enel have considered the opportunity to early cancel the existing facility under 2010 Revolving Facility agreement and, consequently, to anticipate the availability period of 2013 Revolving Facility agreement.

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On 18 March 2014, the 2010 Revolving Facility agreement has been closed and the 2013 Revolving Facility agreement has become effective.

As at 30 June 2014 the revolving facility was not utilized.

### Debt covenants

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

The commitments in respect of the bond issues in the Global Medium-Term Notes program can be summarized as follows:

- > negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets 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 present and future bonds of the issuer;
- > specification of default events, whose occurrence (e.g. insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default;
- > under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer constitutes a default in respect of the liability in question, which becomes immediately repayable;
- > early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

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

- > negative pledge clauses under which the borrower (and its significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of its assets to secure any present or future financial liability;
- > pari passu clauses, under which the payment undertakings constitute a direct, unconditional and unsecured obligation of the borrower and bear no preferential rights among them and have at least the same seniority as other present and future loans;
- > change of control clause (which is triggered in the event (i) control of Enel is acquired by one or more parties other than the Italian state or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to parties outside the Group such that the financial reliability of the Group is significantly compromised. The occurrence of one of the

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two circumstances may give rise to (a) the renegotiation of the terms and conditions of the financing or (b) compulsory early repayment of the financing by the borrower;

- > specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, false statements, insolvency or declaration of insolvency by the borrower or its significant subsidiaries, business closure, government intervention or nationalization, administrative proceeding with potential negative impact, illegal conduct, nationalization and government expropriation or compulsory acquisition of the borrower or one of its significant subsidiaries) constitutes a default. Unless remedied within a specified period of time, such default will trigger an obligation to make immediate repayment of the loan under an acceleration clause;
- > under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) of the issuer or "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 liability in question, which becomes immediately repayable;
- > periodic reporting requirements.

### 10 Other non-current financial liabilities – Euro 888 million

Millions of Euro

	30 June 2014	31 Dec 2013	Change
Cashflow hedge derivatives	883	788	95
Trading derivatives	5	6	(1)
<b>Total</b>	<b>888</b>	<b>794</b>	<b>94</b>

Cash flow hedge derivatives refer to the hedging performed by the Company in order to mitigate both the interest rate and foreign exchange rate risks.

The variation of non-current financial liabilities reflects the fair value remeasurement of both cash flow hedge and trading derivatives.

The following table shows the amount of derivative contracts detailed on the basis of the hierarchy of inputs used to determine fair value, as specified by IFRS 7:

Millions of Euro

	Fair value as 30 June 2014	Level 1	Level 2	Level 3
Cashflow hedge derivatives on exchange rate	854		854	
Cashflow hedge derivatives on interest rate	29		29	
Trading derivatives on interest rate	5		5	
<b>Total</b>	<b>888</b>		<b>888</b>	

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### 11 Short-term loans and borrowings – Euro 6.161 million

Millions of Euro

	30 June 2014	31 Dec 2013	Change
Short-term loans Enel Group companies	4.092	4.787	(695)
Commercial papers	2.069	1.388	681
<b>Short-term financial debt</b>	<b>6.161</b>	<b>6.175</b>	<b>(14)</b>

#### Short-term loans

At 30 June 2014, short-term loans decreased by Euro 695 million from 30 June 2013.

Millions of Euro

	Original currency	Euro countervalue at 30 Jun 2014	Euro countervalue at 31 Dec 2013	Change
<b>Intercompany Current Accounts denominated in Euro</b>				
Enel France SA	Euro	95	110	(15)
Enel Green Power International B.V.	Euro	-	8	(8)
Enel Servizio Elettrico	Euro	2.894	3.003	(109)
Enel Investment Holding BV	Euro	1.055	1.026	29
Enel Energy Europe	Euro	48	-	48
Enel S.p.A.	Euro	-	500	(500)
<i>Total</i>		<b>4.092</b>	<b>4.647</b>	<b>(555)</b>
<b>Intercompany Current Accounts denominated in other currencies</b>				
Enel Green Power International B.V.	USD	-	123	(123)
Enel Green Power International B.V.	CAD	-	17	(17)
<i>Total</i>		-	<b>140</b>	<b>(140)</b>
<b>Total</b>		<b>4.092</b>	<b>4.787</b>	<b>(695)</b>

The main variations of short-term loans as at 30 June 2014 compared with 31 December 2013 are as follows:

- > Euro 109 million deriving by a decrease in the amount deposited by Enel Servizio Elettrico S.p.A. under the Long Time Deposit agreement signed on 2011;
- > Euro 500 million of lower amount deposited with Enel S.p.A.;
- > Euro 148 million due to the decrease of Enel Green Power International BV deposit accounts denominated in Euro and other currencies.

Partially offset by the increase of Enel Energy Europe SL short-term deposit for an amount of Euro 48 million as cash surplus arising from its financial sources.

The Company hedged the intercompany current accounts denominated in foreign currencies using currency swaps to limit the risk of exchange rate fluctuations.

## Enel Finance International N.V.

### Commercial Papers

Financial payables represented by commercial papers relate to outstanding issuances at 30 June 2014 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 they are not listed in any stock exchange.

The total nominal value of outstanding commercial paper as of 30 June 2014 is below shown:

Millions of Euro		
Currencies	ECP origin amounts	Euro counter-value (*)
Euro	1.934	1.934
USD	187	137
<b>Total Commercial Paper</b>		<b>2.071</b>

(\*)The Euro Commercial Paper (ECP) expressed in foreign currency is converted at 30 June 2014 exchange rates.

The nominal value of the commercial paper is Euro 2.071 million and is denominated in the following currencies: Euro (Euro 1.934 million); US dollars (the equivalent of Euro 137 million). 93% of the outstanding notes are issued in Euro. The Company hedged the ECP amounts denominated in foreign currencies using currency swaps to limit the risk of exchange rate fluctuations.

## 12 Other current financial liabilities – Euro 580 million

Millions of Euro			
	30 Jun 2014	31 Dec 2013	Change
Trading derivatives	1	5	(4)
Deferred financial liabilities	579	463	116
<b>Total</b>	<b>580</b>	<b>468</b>	<b>112</b>

Other current financial liabilities mainly relate to interest expenses accrued on debt outstanding at 30 June 2014 which is mainly due to interests arising from GMTN Programme for Euro 533 million.

The following table reports the amount of derivative contracts detailed on the basis of the hierarchy of inputs used to determine fair value, as specified by IFRS 7:

Millions of Euro				
	Fair value as 30 June 2014	Level 1	Level 2	Level 3
Trading derivatives on exchange rate	1		1	
<b>Total</b>	<b>1</b>		<b>1</b>	



## Enel Finance International N.V.

### Related parties

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

The main activity of Enel Finance International NV 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 NV is also part of the centralising 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 NV has no business relations with Key management during the financial year.

The following table summarizes the financial relationships between the Company and related parties:

Millions of euro				
	Receivables	Payables	Income	Cost
	30 June 2014		2014	2014
<b>Shareholder</b>				
Enel S.p.A	386	906	21	28
[Total]	<b>386</b>	<b>906</b>	<b>21</b>	<b>28</b>
<b>Other affiliated companies</b>				
Endesa	13	-	13	-
Enel Produzione	4.024	-	70	-
Enel Distribuzione	5.565	-	168	-
Enel Energia	301	-	3	-
Enel Energy Europe SL	15.057	48	340	1
Enel Trade	703	-	6	-
Enel France S.A.S.	-	95	-	-
Enel Green Power International B.V.	3.120	-	92	8
Enel Investment Holding BV	82	1.368	1	13
Enel Lease Srl	19	-	-	-
Enel Servizio Elettrico	-	2.897	-	16
Marinelle Energie S.A.	201	-	4	-
[Total]	<b>29.085</b>	<b>4.408</b>	<b>697</b>	<b>38</b>
<b>Total</b>	<b>29.471</b>	<b>5.314</b>	<b>718</b>	<b>66</b>

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

## **Enel Finance International N.V.**

### **Contractual commitments and guarantees**

The Company is entirely guaranteed by the Parent Company for all own financial activities and has not given guarantees to third parties up to the reporting date.

Moreover at 30 June 2014 the Company has not pledged any financial assets as collateral against its borrowings.

### **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 the first six months of 2014, amounted to Euro 36 thousand and they are summarized in the following table:

Thousands of Euro		
	<b>30 June 2014</b>	30 June 2013
A.J.M. Nieuwenhuizen	9	9
F. Mauritz	9	9
H. Marseille	9	9
E. Di Giacomo	9	3
A. Canta	-	-
<b>Total</b>	<b>36</b>	<b>30</b>

### **Subsequent events**

There have been no significant subsequent events to be mentioned.