Notes to the financial statements

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Form and content of the financial statements

Enel SpA has its registered office in Viale Regina Margherita 137, Rome, Italy, and since 1999 has been listed on the Milan stock exchange. Enel is an energy multinational and is one of the world's leading integrated operators in the electricity and gas industries, with a special focus on Europe and South America.

The consolidated financial statements for the period ended December 31, 2017 comprise the financial statements of Enel SpA, its subsidiaries and Group holdings in associates and joint ventures, as well as the Group's share of the assets, liabilities, costs and revenue of joint operations ("the Group"). A list of the subsidiaries, associates, joint operations and joint ventures included in the scope of consolidation is attached.

The consolidated financial statements were approved for publication by the Board on March 21, 2019.

These financial statements have been audited by EY SpA.

Basis of presentation

The consolidated financial statements for the year ended December 31, 2018 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation 2002/1606/EC and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as the "IFRS-EU".

The financial statements have also been prepared in conformity with measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005.

The consolidated financial statements consist of the consolidated income statement, the statement of consolidated comprehensive income, the consolidated balance sheet, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and the related notes.

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

The consolidated income statement is classified on the basis of the nature of costs, with separate reporting of net income/(loss) from continuing operations and net income/(loss) from discontinued operations attributable to shareholders of the Parent Company and to non-controlling interests.

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

In particular, although the Group does not diverge from the provisions of IAS 7 in the classification of items:

- cash flows from operating activities report cash flows from core operations, interest on loans granted and obtained and dividends received from joint ventures or associates;
- investing/disinvesting activities comprise investments in property, plant and equipment and intangible assets and disposals of such assets and contract assets related to service concession arrangements. Include, also, the effects of business combinations in which the Group acquires or loses control of companies, as well as other minor investments;

- cash flows from financing activities include cash flows generated by liability management transactions, dividends paid to non-controlling interests by the Parent Company or other consolidated companies and the effects of transactions in non-controlling interests that do not change the status of control of the companies involved;
- a separate item is used to report the impact of exchange rates on cash and cash equivalents and their impact on profit or loss is eliminated in full in order to neutralize the effect on cash flows from operating activities.

For more information on cash flows as reported in the statement of cash flows, please see the note on "Cash flows" in the Report on operations.

The income statement, the balance sheet and the statement of cash flows report transactions with related parties, the definition of which is given in the next section below.

The consolidated financial statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS-EU, as explained in the measurement bases applied to each individual item, and of non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

The consolidated financial statements are presented in euro, the functional currency of the Parent Company Enel SpA. All figures are shown in millions of euro unless stated otherwise.

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

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Accounting policies and measurement criteria

Use of estimates and management judgment

Preparing the consolidated financial statements under IFRS-EU requires management to take decisions and make estimates and assumptions that may impact the value of revenue, costs, assets and liabilities and the related disclosures concerning the items involved as well as contingent assets and liabilities at the balance sheet date. The estimates and management's judgments 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 through profit or loss 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.

In order to enhance understanding of the financial statements, the following sections examine the main items affected by the use of estimates and the cases that reflect management judgments to a significant degree, underscoring the main assumptions used by management in measuring these items in compliance with the IFRS-EU. The critical element of such valuations is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

Changes in the conditions underlying the assumptions and judgments could have a substantial impact on future results.

Use of estimates

Revenue

Revenue from supply of electricity and gas to end users is recognized at the time the electricity or gas is delivered and includes, in addition to amounts invoiced on the basis of periodic (and pertaining to the year) meter readings or on the volumes notified by distributors and transporters, an estimate of the electricity and gas delivered during the period but not yet invoiced that is equal to the difference between the amount of electricity and gas delivered to the distribution network and that invoiced in the period, taking account of any network losses. Revenue between the date of the last meter reading and the year end is based on estimates of the daily consumption of individual customers, primarily determined on their historical information, adjusted to reflect the climate factors or other matters that may affect the estimated consumption.

Pensions and other post-employment benefits

Some of the Group's employees participate in pension plans offering benefits based on their wage history and years of service. Certain employees are also eligible for other post-employment benefit schemes.

The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs. Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of wage increases, the inflation rate and trends in healthcare cost.

These estimates can differ significantly from actual developments owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of healthcare.

Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

Recoverability of non-financial assets

The carrying amount of non-current assets is reviewed periodically and wherever circumstances or events suggest that more frequent review is necessary. Goodwill is reviewed at least annually. Such assessments of the recoverable amount of assets are carried out in accordance with the provisions of IAS 36, as described in greater detail in note 21 below.

In particular, the recoverable amount of non-current assets and goodwill is based on estimates and assumptions used in order to define the measurement of cash flow and the discount rates applied. Where the value of non-current assets is considered to be impaired, they are written down to the recoverable amount, as estimated on the basis of the use of the asset and its future disposal, in accordance with the Group's most recent plans.

Estimation factors used in the calculation of the recoverable amount are described more in detail in the paragraph "Impairment of non-financial assets". Nevertheless, possible changes in the estimation factors on which the calculation of such values is performed could generate different recoverable values. The analysis of each group of non-current assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

Expected credit losses on financial assets

At the end of each reporting date, the Group recognizes a loss allowance for expected credit losses on trade receivables and other financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets and all other assets in the scope.

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 Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The expected credit loss (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 shortfalls) discounted at the original effective interest rate (EIR).

In particular, for trade receivables, contract assets and lease receivables, including those with a significant financial component, the Group applies the simplified approach, determining expected credit losses over a period corresponding to the entire life of the receivable, generally equal to 12 months.

Based on the specific reference market and the regulatory context of the sector, as well as expectations of recovery after 90 days, for such receivables, the Enel Group mainly applies a default definition of 180 days past due to determine expected credit losses, as this is considered an effective indication of a significant increase in credit risk. Accordingly, financial assets that are more than 90 days past due are generally not considered to be in default, except for some specific regulated markets.

For trade receivables and contract assets the Group mainly applies a collective approach based on grouping the receivables into specific clusters, taking into account the specific regulatory and business context. Only if the trade receivables are deemed to be individually significant by management and there are specific information about any significant increase in credit risk, the Group applies an analytical approach.

In case of individual assessment, PD is mainly obtained from an external provider.

Conversely, for collective assessment, trade receivables are grouped based on shared credit risk characteristics and past due information, considering a specific definition of default.

Based on each business and local regulatory framework as well as differences in client portfolios also in terms of risks, default and recovery rates, specific clusters are defined.

The contract assets are considered to have substantially the same risk characteristics as the trade receivables for the same types of contracts.

In order to measure the ECL for trade receivables on a collective basis, as well as for contract assets, the Group considers the following assumptions related to ECL parameters:

- PD, assumed as to be the average default rate, is calculated on a cluster basis and taking into consideration minimum 24 month historical data;
- LGD is function of the default bucket's recovery rates, discounted at the EIR; and
- EAD is estimated as the carrying exposure at the reporting date net of cash deposits, including invoices issued but not expired and invoices to be issued.

Based on specific management evaluations, the forward-looking adjustment may be applied considering 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.

For additional details on the key assumptions and inputs used please refer to note 43 "Financial instruments".

Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012

Law 134 of August 7, 2012 containing "urgent measures for growth" (published in the Gazzetta Ufficiale of August 11, 2012) introduced a sweeping overhaul of the rules governing hydroelectric concessions. Among its various provisions, the law establishes that five years before the expiration of a major hydroelectric water diversion concession and in cases of lapse, relinquishment or revocation, where there is no prevailing public interest for a different use of the water, incompatible with its use for hydroelectric generation, the competent public entity shall organize a public call for tender for the award for consideration of the concession for a period ranging from 20 to a maximum of 30 years.

In order to ensure operational continuity, the law also governs the methods of transfer ownership of the business unit necessary to operate the concession, including all legal relationships relating to the concession, from the outgoing concession holder to the new concession holder, in exchange for payment of a price to be determined in negotiations between the departing concession holder and the grantor agency, taking due account of the following elements:

- for intake and governing works, penstocks and outflow channels, which under the consolidated law governing waters and electrical plants are to be relinquished free of charge (Article 25 of Royal Decree 1775 of December 11, 1933), the revalued cost less government capital grants, also revalued, received by the concession holder for the construction of such works, depreciated for ordinary wear and tear;
- for other property, plant and equipment, the market value, meaning replacement value, reduced by estimated depreciation for ordinary wear and tear.

While acknowledging that the new regulations introduce important changes as to the transfer of ownership of the business unit with regard to the operation of the hydroelectric concession, the practical application of these principles faces difficulties, given the uncertainties that do not permit the formulation of a reliable estimate of the value that can be recovered at the end of existing concessions (residual value).

Accordingly, management has decided it could not produce a reasonable and reliable estimate of residual value.

The fact that the legislation requires the new concession holder to make a payment to the departing concession holder prompted management to review the depreciation schedules for assets classified as to be relinquished free of charge prior to Law 134/2012 (until the year ended on December 31, 2011, given that the assets were to be relinquished free of charge, the depreciation period was equal to the closest date between the term of the concession and the end of the useful life of the individual asset), calculating depreciation no longer over the term of the concession but, if longer, over the economic and technical life of the individual assets. If additional information becomes available to enable the calculation of residual value, the carrying amounts of the assets involved will be adjusted prospectively.

Determining the fair value of financial instruments

The 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 rare circumstances were this is not possible, the inputs are estimated by management taking due account of the characteristics of the instruments being measured.

In accordance with IFRS 13, the Group includes a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk, using the method discussed in note 47. Changes in the assumptions made in estimating the input date could have an impact on the fair value recognized for those instruments.

Recovery of deferred tax assets

At December 31, 2018, the consolidated financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years and 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 recognized, 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. However, where the Group should become aware that it is unable to recover all or part of recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

Litigation

The Enel Group is involved in various civil, administrative and tax disputes connected with the normal pursuit of its activities that could give rise to significant liabilities. It is not always objectively possible to predict the outcome of these disputes. The assessment of the risks associated with this litigation is based on complex factors whose very nature requires recourse to management judgments, even when taking account of the contribution of external advisors assisting the Group, about whether to classify them as contingent liabilities or liabilities.

Provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made. Note 52 provides information on the most significant contingent liabilities of the Group.

Obligations associated with generation plants, including decommissioning and site restoration

Generation activities may entail obligations for the operator with regard to future interventions that will have to be performed following the end of the operating life of the plant.

Such interventions may involve the decommissioning of plants and site restoration, or other obligations linked to the type of generation technology involved.

The nature of such obligations may also have a major impact on the accounting treatment used for them.

In the case of nuclear power plants, where the costs regard both decommissioning and the storage of waste fuel and other radioactive materials, the estimation of the future cost is a critical process, given that the costs will be incurred over a very long span of time, estimated at up to 100 years.

The obligation, based on financial and engineering assumptions, is calculated by discounting the expected future cash flows that the Group considers it will have to pay to meet the obligations it has assumed.

The discount rate used to determine the present value of the liability is the pre-tax risk-free rate and is based on the economic parameters of the country in which the plant is located.

That liability is quantified by management on the basis of the technology existing at the measurement date and is reviewed each year, taking account of developments in storage, decommissioning and site restoration technology, as well as the ongoing evolution of the legislative framework governing health and environmental protection.

Subsequently, the value of the obligation is adjusted to reflect the passage of time and any changes in estimates.

Management judgments

Identification of cash generating units (CGUs)

In application of "IAS 36 - Impairment of assets", the goodwill recognized in the consolidated financial statements of the Group as a result of business combinations has been allocated to individual or groups of CGUs that will benefit from the combination. A CGU is the smallest group of assets that generates largely independent cash inflows.

In identifying such CGUs, management took account of the specific nature of its assets and the business in which it is involved (geographical area, business area, regulatory framework, etc.), verifying that the cash flows of a given group of assets were closely independent and largely autonomous of those associated with other assets (or groups of assets).

The assets of each CGU were also identified on the basis of the manner in which management manages and monitors those assets within the business model adopted. For a more extensive discussion, please see notes 5 and 6 below and the discussion in the section on "Results by business area" in the Report on operations.

The CGUs identified by management to which the goodwill recognized in these consolidated financial statements has been allocated are indicated in the section on goodwill, to which the reader is invited to refer.

The number and scope of the CGUs are updated systematically to reflect the impact of new business combinations and reorganizations carried out by the Group, and to take account of external factors that could impact the ability of groups of assets to generate independent cash flows.

Determination of the existence of control

Under the provisions of IFRS 10, control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is defined as the current ability to direct the relevant activities of the investee based on existing substantive rights.

The existence of control does not depend solely on ownership of a majority shareholding, but rather it arises from substantive rights that each investor holds over the investee. Consequently, management must use its judgment in assessing whether specific situations determine substantive rights that give the Group the power to direct the relevant activities of the investee in order to affect its returns.

For the purpose of assessing control, management analyses all facts and circumstances including any agreements with other investors, rights arising from other contractual arrangements and potential voting rights (call options, warrants, put options granted to non-controlling shareholders, etc.). These other facts and circumstances could be especially significant in such assessment when the Group holds less than a majority of voting rights, or similar rights, in the investee.

Following such analysis of the existence of control, which had already been done in previous years under the provisions of the then-applicable IAS 27, the Group consolidated certain companies (Emgesa and Codensa) on a line-by-line basis even though it did not hold more than half of the voting rights. That approach was maintained in the assessment carried out in application of IFRS 10 on the basis of the requirements discussed above, as detailed in the attachment "Subsidiaries, associates and other significant equity investments of the Enel Group at December 31, 2018" to these financial statements.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of control.

Finally, the assessment of the existence of control did not find any situations of de facto control.

Determination of the existence of joint control and of the type of joint arrangement

Under the provisions of IFRS 11, a joint arrangement is an agreement where two or more parties have joint control.

Joint control exists when the decisions over the relevant activities require the unanimous consent of at least two parties of a joint arrangement.

A joint arrangement can be configured as a joint venture or a joint operation. Joint ventures are joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangement. Conversely, joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

In order to determine the existence of the joint control and the type of joint arrangement, management must apply judgment and assess its rights and obligations arising from the arrangement. For this purpose, the management considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Following that analysis, the Group has considered its interest in Asociación Nuclear Ascó-Vandellós II as a joint operation.
The Group re-assesses whether or not it has joint control if facts and circumstances indicate that changes have occurred in one or more of the elements considered in verifying the existence of joint control and the type of the joint arrangement.

Determination of the existence of significant influence over an associate

Associated companies are those in which the Group exercises significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee but not exercise control or joint control over those policies. In general, it is presumed that the Group has a significant influence when it has an ownership interest of 20% or more.
In order to determine the existence of significant influence, management must apply judgment and consider all facts and circumstances.
The Group re-assesses whether or not it has significant influence if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of significant influence.

Application of "IFRIC 12 - Service concession arrangements" to concessions

"IFRIC 12 - Service concession arrangements" applies to "public-to-private" service concession arrangements, which can be defined as contracts under which the grantor transfers to a concession holder the right to deliver public services that give access to the main public facilities for a specified period of time in return for managing the infrastructure used to deliver those public services.
More specifically, IFRIC 12 applies to public-to-private service concession arrangements if the grantor:

- controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- controls – through ownership or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

In assessing the applicability of these provisions for the Group, management carefully analyzed existing concessions.
On the basis of that analysis, the provisions of IFRIC 12 are applicable to some of the infrastructure of a number of companies that operate in Brazil.

Revenue from contracts with customers (within the scope of IFRS 15)

Identification of the contract

The Group carefully analyses the contractual terms and conditions on a jurisdictional level in order to determine when a contract exists and the terms of that contract's enforceability so as to apply IFRS 15 only to such contracts.

Identification and satisfaction of performance obligations

When a contract includes multiple promised goods or services, in order to assess if they should be accounted for separately or as a group, the Group considers both the individual characteristics of goods/services and the nature of the promise within the context of the contract, also evaluating all the facts and circumstances relating to the specific contract under the relevant legal and regulatory framework.
To evaluate when a performance obligation is satisfied, the Group evaluates when the control of the goods or services is transferred to the customer, assessed primarily from the perspective of the customer. The Group first determines whether the performance obligation meets the criteria to recognize revenue over time. If control transfers over time, the Group selects an appropriate method to measure progress towards complete satisfaction of the performance obligation, also considering the nature of both the goods or services promised and the performance obligation. If none of the over-time criteria are met, the Group determines the point in time at which the customer obtains the control, considering whether the indicators of the transfer of control collectively indicate that the customer has obtained control.
In particular, taking into consideration that IFRS 15 changes the main notions and principles of revenue recognition, the Group considers that the following main revenue streams require a specific assessment under the new accounting requirements:

- an electricity/gas supply agreement signed with an end user includes a single performance obligation (sale and transport of the commodity) because the Group has evaluated that the contract does not provide distinct goods/services and the promise is satisfied by transferring the control over the commodity to the customer when it is delivered at the point of delivery. In order to determine the nature of the promise included in such contracts, the Group analyzes carefully the facts and circumstances applicable to each contract and commodity.

However, the Group considers that the performance obligation provided for a repetitive service contract, as a supply or a transport contract of electricity/gas to end users, is typically satisfied over time (because the customer simultaneously receives and consumes the benefits of the commodity as it is delivered) as part of a series of distinct goods/services (i.e., each unit of commodity) that are substantially the same and have the same pattern of transfer to the customer. In these cases, the Group applies an output method to recognize revenue in the amount to which it has a right to invoice the customer if that amount corresponds directly with the value to the customer of the performance completed to date;

- the network connection fees received from customers for connecting them to the electricity/gas distribution networks require a specific Group assessment to take into consideration all terms and conditions of the connection arrangements that could vary from country to country based on the local context, regulations and law. This assessment is finalized to evaluate if the contract includes other distinct goods or services, as for example, the right to obtain the ongoing access to the infrastructure in order to receive the commodity or, when the connection fee is a "non-refundable up-front fee" paid at or near contract inception, a material right that gives rise to a performance obligation.

  In particular, in some countries in which the Group operates, it assesses that the nature of the consideration received represents a "non-refundable up-front fee" whose payment provides a material right to the customer. In order to determine if the period over which to recognize this material right would be extended beyond the initial contractual period, the Group takes into consideration the applicable legal and regulatory frameworks applicable to the contract and that affect the parties. In such cases, if there is an implied assignment of the material right and an obligation from the initial customer to the new customer, the Group recognizes the connection fee over a period beyond the relationship with the initial customer, considering the concession terms as the period during which the initial customer and any future customer can benefit from the ongoing access without paying an additional connection fee. As a consequence, the fee is recognized over the period for which the payment creates for the Group an obligation to make the lower prices available to future customers (i.e., the period during which the customer is expected to benefit from the ongoing access service without having to pay an "up-front fee" upon renewal);
- construction contracts typically include a performance obligation satisfied over time; for these contracts, the Group generally considers appropriate the use of an input method for measuring progress, except when specific contract analysis suggest the use of an alternative method. In such cases, the cost incurred method (cost-to-cost method) is considered to be the best method to represent the Group's performance obligation satisfied at the reporting date.

Determination of the transaction price

The Group considers all relevant facts and circumstances in determining whether a contract includes variable consideration (i.e., consideration that may vary or depends upon the occurrence or non-occurrence of a future event). In estimating variable consideration, the Group uses the method that better predicts the consideration to which it will be entitled, applying it consistently throughout the contract and for similar contracts, also considering all available information, and updating such estimates until the uncertainly is resolved. The Group includes the estimated variable consideration in the transaction price only to the extent that it is high probable that a significant reversal in the cumulative revenue recognized will not occur when the uncertainty is resolved.

Principal versus agent assessment

The Group considers that it is an agent in some contracts in which it is not primarily responsible for fulfilling the contract and therefore it does not control goods or services before they are being transferred to customers. For example, the Group acts as an agent in some contracts for electricity/gas network connection services and other related activities depending on local legal and regulatory framework.

Allocation of transaction price

For contracts that have more than one performance obligation (e.g., "bundled" sale contracts), the Group generally allocates the transaction price to each performance obligation in proportion to its stand-alone selling price. The Group determines stand-alone selling prices considering all information and using observable prices when they are available in the market or, if not, using an estimation method that maximizes the use of observable inputs and applying it consistently to similar arrangements.

If the Group evaluates that a contract includes an option for additional goods or services (e.g., customer loyalty programs or renewal options) that represents a material right, it allocates the transaction price to this option since the option gives rise to an additional performance obligation.

Contract costs

The Group only capitalizes the incremental costs that it incurs to obtain a contract with a customer within the scope of IFRS 15 (directly attributable to an identified contract and paid only if the contract is obtained) if it expects to recover the costs, through reimbursements (direct recoverability) or the margin (indirect recoverability).
The Group assesses recoverability of the incremental costs of obtaining a contract either on a contract-by-contract basis, or for a group of contracts if those costs are associated with the group of contracts.
The Group supports the recoverability of such costs on the basis of its experience with other similar transactions and evaluating various factors, including potential renewals, amendments and follow-on contracts with the same customer.
The Group amortizes such costs over the average customer term. In order to determine this expected period of benefit from the contract, the Group considers its past experience (e.g., "churn rate"), the predictive evidence from similar contracts and available information about the market.

Classification and measurement of financial assets

At initial recognition, in order to classify financial assets as financial assets at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss, management assesses both the contractual cash flow characteristics of the instrument and the business model for managing financial assets in order to generate cash flows.
For the purpose of evaluating the contractual cash flow characteristics of the instrument, management performs the SPPI test at an instrument level, in order to determine if it gives rise to cash flows that are solely payments of principal and interest (SPPI) 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.
For more details, please see note 43 "Financial instruments".

Hedge accounting

Hedge accounting is applied to derivatives in order to reflect into the financial statements the effect of risk management strategies.
Accordingly, at the inception of the transaction the Group documents the hedge relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Group also assesses, both at hedge inception and on an ongoing basis, whether hedging instruments are highly effective in offsetting changes in the fair values or cash flows of hedged items.
On the basis of management's judgement, the effectiveness assessment based on the existence of an economic relationship between the hedging instruments and the hedged items, the dominance of credit risk in the value changes and 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.
For additional details on the key assumptions about effectiveness assessment and ineffectiveness measurement, please refer to note 46.1 "Derivatives designated as hedging instruments".

Related parties

Related parties are mainly parties that have the same controlling entity as Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include entities operating post-employment benefit plans for employees of Enel SpA or its associates (specifically, the FOPEN and FONDENEL pension funds), as well as the members of the boards of statutory auditors, and their immediate family, and the key management personnel, and their immediate family, of Enel SpA and its subsidiaries. Key management personnel comprises management personnel who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include directors.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity, regardless of the nature of the formal relationship between them, when it is exposed/ has rights to variable returns deriving from its involvement and has the ability, through the exercise of its power over the investee, to affect its returns.
The figures of the subsidiaries are consolidated on a full line-by-line basis as from the date control is acquired until such control ceases.

Consolidation procedures

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2018 in accordance with the accounting policies adopted by the Parent Company.
If a subsidiary uses different accounting policies from those adopted in preparing the consolidated financial statements for similar transactions and facts in similar circumstances, appropriate adjustments are made to ensure conformity with Group accounting policies.
Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in or excluded from the consolidated financial statements, respectively, from the date the Group gains control or until the date the Group ceases to control the subsidiary.
Profit or loss and the other components of other comprehensive income are attributed to the shareholders of the Parent Company and non-controlling interests, even if this results in a loss for non-controlling interests.
All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full.
Changes in ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their interests in the subsidiary. Any difference between the fair value of the consideration paid or received and the corresponding fraction of equity acquired or sold is recognized in consolidated equity.
When the Group ceases to have control over a subsidiary, any interest retained in the entity is remeasured to its fair value, recognized through profit or loss, at the date when control is lost. In addition, any amounts previously recognized in other comprehensive income in respect of the former subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities.

Investment in joint arrangements and associates

A joint venture is an entity over which the Group exercises joint control and has rights to the net assets of the arrangement. Joint control is the sharing of control of an arrangement, whereby decisions about the relevant activities require unanimous consent of the parties sharing control.
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over the investee.
The Group's investments in its joint ventures and associates are accounted for using the equity method.
Under the equity method, these investments are initially recognized at cost and any goodwill arising from the difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities at the acquisition date is included in the carrying amount of the investment. Goodwill is not individually tested for impairment.
After the acquisition date, their carrying amount is adjusted to recognize changes in the Group's share of profit or loss of the associate or joint venture. The OCI of such investees is presented as specific items of the Group's OCI.
Distributions received from joint ventures and associates reduce the carrying amount of the investments.
Profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.
The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.
After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate or joint venture. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount.
In the case of the Slovak Power Holding BV joint venture, any impairment losses are assessed by determining the recoverable value using the price formula specified in the agreement to sell the 66% stake in Slovenské elektrárne

(SE) by Enel Produzione to EP Slovakia, which is based on various parameters, including the evolution of the net financial position of SE, developments in energy prices in the Slovakian market, the operating efficiency of SE as measured on the basis of benchmarks defined in the contract and the enterprise value of Mochovce units 3 and 4. This value is compared against the carrying amount of the investment, which is measured on the basis of the results of that formula at the closing date for the transaction of July 28, 2017.

If the investment ceases to be an associate or a joint venture, the Group recognizes any retained investment at its fair value, through profit or loss. Any amounts previously recognized in other comprehensive income in respect of the former associate or joint venture are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to exercise a significant influence or joint control, the Group continues to apply the equity method and the share of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction is accounted for as if the Group had directly disposed of the related assets or liabilities.

When a portion of an investment in an associate or joint venture meets the criteria to be classified as held for sale, any retained portion of an investment in the associate or joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion classified as held for sale takes place.

Joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. For each joint operation, the Group recognized assets, liabilities, costs and revenue on the basis of the provisions of the arrangement rather than the participating interest held.

Translation of foreign currency items

Transactions in currencies other than the functional currency are recognized at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later translated using the period-end exchange rate.

Non-monetary assets and liabilities denominated in foreign currency that are recognized at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities in foreign currency measured at fair value are translated using the exchange rate at the date that value was determined. Any exchange rate differences are recognized through profit or loss.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability associated with the advance consideration.

If there are multiple advance payments or receipts, the Group determines the transaction date for each payment or receipt of advance consideration.

Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.

In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the presentation currency used in the consolidated financial statements are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.

Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized proportionately in the income statement on the disposal (partial or total) of the subsidiary.

Business combinations

Business combinations initiated before January 1, 2010 and completed within that financial year are recognized on the basis of IFRS 3 (2004).

Such business combinations were recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities incurred or assumed, plus costs directly attributable to the acquisition. This cost was allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the cost of the acquisition and the fair value of the net assets acquired attributable to the shareholders of the Parent Company was recognized as goodwill. Any negative difference was recognized in profit or loss. The value of non-controlling interests was determined in proportion to the interest held by minority shareholders in the net assets. In the case of business combinations achieved in stages, at the date of acquisition any adjustment to the fair value of the net assets acquired previously was recognized in equity; the amount of goodwill was determined for each transaction separately based on the fair values of the acquiree's net assets at the date of each exchange transaction.

Business combinations carried out as from January 1, 2010 are recognized on the basis of IFRS 3 (2008), which is referred to as IFRS 3 (Revised) hereafter.

More specifically, business combinations are recognized using the acquisition method, where the purchase cost (the consideration transferred) is equal to the fair value at the purchase date of the assets acquired and the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Costs directly attributable to the acquisition are recognized through profit or loss.

The consideration transferred is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values as at the acquisition date. Any positive difference between the price paid, measured at fair value as at the acquisition date, plus the value of any non-controlling interests, and the net value of the identifiable assets and liabilities of the acquiree measured at fair value is recognized as goodwill. Any negative difference is recognized in profit or loss.

The value of non-controlling interests is determined either in proportion to the interest held by minority shareholders in the net identifiable assets of the acquiree or at their fair value as at the acquisition date.

In the case of business combinations achieved in stages, at the date of acquisition of control the previously held equity interest in the acquiree is remeasured at fair value and any positive or negative difference is recognized in profit or loss.

Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified as an asset or a liability, or as a financial instrument within the scope of IFRS 9, are recognized in profit or loss. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS-EU. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition, restating comparative figures.

Fair value measurement

For all fair value measurements and disclosures of fair value that are either required or permitted by international accounting standards the Group 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 Group 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, the Group takes 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 among others the credit risk of the Group itself;
- in the case of groups of financial assets and financial liabilities with offsetting positions in market risk or 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 the 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.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenses directly attributable to bringing the asset to the location and condition necessary for its intended use.

The cost is also increased by the present value of the estimate of the costs of decommissioning and restoring the site on which the asset is located where there is a legal or constructive obligation to do so. The corresponding liability is recognized under provisions for risks and charges. The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges".

Property, plant and equipment transferred from customers to connect them to the electricity distribution network and/or to provide them with other related services is initially recognized at its fair value as at the date on which control is obtained.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the assets themselves. Borrowing costs associated with the purchase/construction of assets that do not meet such requirement are expensed in the period in which they are incurred.

Certain assets that were revalued at the IFRS-EU transition date or in previous periods are recognized at their fair value, which is considered to be their deemed cost at the revaluation date.

Where individual items of major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.

Subsequent costs are recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits associated with the cost incurred to replace a part of the asset will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as incurred.

The cost of replacing part or all of an asset is recognized as an increase in the carrying amount of the asset and is depreciated over its useful life; the net carrying amount of the replaced unit is derecognized through profit or loss.

Property, plant and equipment, net of its residual value, is depreciated on a straight-line basis over its estimated useful life, which is reviewed annually and, if appropriate, adjusted prospectively. Depreciation begins when the asset is available for use.

The estimated useful life of the main items of property, plant and equipment is as follows:

Civil buildings	10-70 years
Buildings and civil works incorporated in plants	10-100 years
Hydroelectric power plants:	
- penstock	7-85 years
- mechanical and electrical machinery	5-60 years
- other fixed hydraulic works	5-100 years
Thermal power plants:	
- boilers and auxiliary components	3-59 years
- gas turbine components	3-59 years
- mechanical and electrical machinery	3-59 years
- other fixed hydraulic works	3-62 years
Nuclear power plants	50 years
Geothermal power plants:	
- cooling towers	20-25 years
- turbines and generators	25-30 years
- turbine parts in contact with fluid	10-25 years
- mechanical and electrical machinery	20-40 years
Wind power plants:	
- towers	20-30 years
- turbines and generators	20-30 years
- mechanical and electrical machinery	15-30 years
Solar power plants:	
- mechanical and electrical machinery	20-30 years
Public and artistic lighting:	
- public lighting installations	10-20 years
- artistic lighting installations	20 years

Transport lines	12-50 years
Transformer stations	20-55 years
Distribution plants:	
- high-voltage lines	10-60 years
- primary transformer stations	5-55 years
- low-and medium-voltage lines	5-50 years
Meters:	
- electromechanical meters	3-34 years
- electricity balance measurement equipment	3-30 years
- electronic meters	6-35 years

The useful life of leasehold improvements is determined on the basis of the term of the lease or, if shorter, on the duration of the benefits produced by the improvements themselves.

Land is not depreciated as it has an indefinite useful life.

Assets recognized under property, plant and equipment are derecognized either upon their disposal (i.e., at the date the recipient obtains control) or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net disposal proceeds, determined in accordance with the transaction price requirements of IFRS 15, and the net carrying amount of the derecognized assets.

Assets to be relinquished free of charge

The Group's plants include assets to be relinquished free of charge at the end of the concessions. These mainly regard major water diversion works and the public lands used for the operation of the thermal power plants.

Within the Italian regulatory framework in force until 2011, if the concessions are not renewed, at those dates all intake and governing works, penstocks, outflow channels and other assets on public lands were to be relinquished free of charge to the State in good operating condition. Accordingly, depreciation on assets to be relinquished was calculated over the shorter of the term of the concession and the remaining useful life of the assets.

In the wake of the legislative changes introduced with Law 134 of August 7, 2012, the assets previously classified as assets "to be relinquished free of charge" connected with the hydroelectric water diversion concessions are now considered in the same manner as other categories of "property, plant and equipment" and are therefore depreciated over the economic and technical life of the asset (where this exceeds the term of the concession), as discussed in the section above on the "Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012", which you are invited to consult for more details.

In accordance with Spanish laws 29/1985 and 46/1999, hydroelectric power stations in Spanish territory operate under administrative concessions at the end of which the plants will be returned to the government in good operating condition. The terms of the concessions extend up to 2067.

A number of generation companies that operate in Argentina, Brazil and Mexico hold administrative concessions with similar conditions to those applied under the Spanish concession system. These concessions will expire by 2088.

Infrastructure serving a concession

As regards the distribution of electricity, the Group is a concession holder in Italy for this service. The concession, granted by the Ministry for Economic Development, was issued free of charge and terminates on December 31, 2030. If the concession is not renewed upon expiry, the grantor is required to pay an indemnity. The amount of the indemnity will be determined by agreement of the parties using appropriate valuation methods, based on both the balance sheet value of the assets themselves and their profitability.

In determining the indemnity, such profitability will be represented by the present value of future cash flows. The infrastructure serving the concessions is owned and available to the concession holder. It is recognized under "Property, plant and equipment" and is depreciated over the useful life of the assets.

Enel also operates under administrative concessions for the distribution of electricity in other countries (including Spain and Romania). These concessions give the right to build and operate distribution networks for an indefinite period of time.

Infrastructure within the scope of "IFRIC 12 - Service concession arrangements"

Under a "public-to-private" service concession arrangement within the scope of "IFRIC 12 - Service concession arrangements" the operator acts as a service provider and, in accordance with the terms specified in the contract, it constructs/upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for the period of the concession.

The Group, as operator, does not account for the infrastructure within the scope of IFRIC 12 as property, plant and equipment and it recognizes and measures revenue in accordance with IFRS 15 for the services it performs. In particular, when the Group provides construction or upgrade services, depending on the characteristics of the service concession arrangement, it recognizes:

- a financial asset, if the Group has an unconditional contractual right to receive cash or another financial asset from the grantor (or from a third party at the direction of the grantor), that is the grantor has little discretion to avoid payment. In this case, the grantor contractually guarantees to pay to the operator specified or determinable amounts or the shortfall between the amounts received from the users of the public service and specified or determinable amounts (defined by the contract), and such payments are not dependent on the usage of the infrastructure; and/or
- an intangible asset, if the Group receives the right (a license) to charge users of the public service provided. In such a case, the operator does not have an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

If the Group (as operator) has a contractual right to receive an intangible asset (a right to charge users of public service), borrowing costs are capitalized using the criteria specified in the paragraph "Property, plant and equipment".
However, for construction/upgrade services, both types of consideration are generally classified as a contract asset during the construction/upgrade period.
For more details about such consideration, please see note 8 "Revenue".

Leases

The Group holds property, plant and equipment and intangible assets for its various activities under lease contracts.
These contracts are analyzed on the basis of the circumstances and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases in the presence of an identified asset.
A finance lease is defined as a lease that transfers substantially all the risks and rewards incidental to ownership of the related asset to the lessee. All leases that do not meet the definition of a finance lease are classified as operating leases.
On initial recognition assets held under finance leases are recognized as property, plant and equipment and the related liability is recognized under long-term borrowings. At inception date finance leases are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments due, including the payment required to exercise any purchase option.
The assets are depreciated on the basis of their useful life. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets.
Payment made under operating lease are recognized as a cost on a straight-line basis over the lease term.
Although not formally designated as lease agreements, certain types of contract can be considered as such if the fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and if the arrangement conveys a right to use such assets.

Investment property

Investment property consists of the Group's real estate held to earn rentals and/or for capital appreciate rather than for use in the production or supply of goods and services.
Investment property is measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.
Investment property, excluding land, is depreciated on a straight-line basis over the useful life of the related assets.
Impairment losses are determined on the basis of the criteria following described.
The breakdown of the fair value of investment property is detailed in note 47 "Assets measured at fair value".
Investment property is derecognized either when it has been transferred (i.e., at the date the recipient obtains control) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net disposal proceeds, determined in accordance with the transaction price requirements of IFRS 15, and the net book value of the derecognized assets.
Transfers are made to (or from) investment property only when there is a change in use.

Intangible assets

Intangible assets are identifiable assets without physical substance controlled by the entity and capable of generating future economic benefits. They are measured at purchase or internal development cost when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.

The cost includes any directly attributable expenses necessary to make the assets ready for their intended use.
Internal development costs are recognized as an intangible asset when both the Group is reasonably assured of the technical feasibility of completing the intangible asset, that it has intention and ability to complete the asset and use or sell it and that the asset will generate future economic benefits.
Research costs are recognized as expenses.
Intangible assets with a finite useful life are reported net of accumulated amortization and any impairment losses.
Amortization is calculated on a straight-line basis over the item's estimated useful life, which is reassessed at least annually; any changes in amortization policies are reflected on a prospective basis. Amortization commences when the asset is ready for use. Consequently, intangible assets not yet available for use are not amortized, but are tested for impairment at least annually.
The Group's intangible assets have a definite useful life, with the exception of a number of concessions and goodwill.
Intangible assets with indefinite useful life are not amortized, but are tested for impairment annually.
The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is accounted for as a change in accounting estimate.
Intangible assets are derecognized either at the time of their disposal (at the date when the recipient obtains control) or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, determined in accordance with the provisions of IFRS 15 concerning the transaction price, and the net book value of the derecognized assets.
The estimated useful life of the main intangible assets, distinguishing between internally generated and acquired assets, is as follows:

Development costs:	
- internally generated	2-26 years
- acquired	3-26 years
Industrial patents and intellectual property rights:	
- internally generated	3-10 years
- acquired	2-50 years
Concessions, licenses, trademarks and similar rights:	
- internally generated	20 years
- acquired	1-40 years
Intangible assets from service concession arrangements:	
- internally generated	-
- acquired	5 years
Other:	
- internally generated	2-28 years
- acquired	1-28 years

The Group also presents capitalized costs to obtain a contract with a customer within the scope of IFRS 15 in this item.
The Group recognized such costs as an asset only if:
- the costs are incremental, that is the Group would not have incurred them if the contract had not been obtained;
- the Group expects to recover them.

In particular, the Group generally capitalizes trade fees and commissions paid to agents for such contracts if the capitalization criteria are met.
Capitalized contract costs are amortized on a systematic basis, consistent with the pattern of the transfer of the goods or services to which they relate, and are subject to an impairment assessment to recognize impairment losses in profit or loss to the extent that the carrying amount of the asset recognized exceeds the recoverable amount.
The Group amortizes the capitalized contract costs on a straight-line basis over the expected period of benefit from the contract (i.e., the average term of the customer relationship); any changes in amortization policies are reflected on a prospective basis.
The Group does not incur any costs to fulfil a contract that are eligible for capitalization.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the acquisition cost, of any non-controlling interest and of any previously held interest over the

acquisition date fair value of the acquiree's assets, liabilities and identifiable contingent liabilities. After initial recognition, goodwill is not amortized, but is tested for recoverability at least annually using the criteria described in the paragraph "Impairment of non-financial assets". For the purpose of impairment testing, goodwill is allocated, from the acquisition date, to each of the cash generating units identified.
Goodwill relating to equity investments in associates and joint ventures is included in their carrying amount.

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount of any involved asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.
In order to determine the recoverable amount of property, plant and equipment, investment property, intangible assets and goodwill, the Group generally adopts the value-in-use criterion.
The value in use is represented by the present value of the estimated future cash flows generated by the asset in question. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.
The future cash flows used to determine value in use are based on the most recent Business Plan, approved by the management, containing forecasts for volumes, revenue, operating costs and investments.
These projections cover the next five years. Consequently, cash flows related to subsequent periods are determined on the basis of a long-term growth rate that does not exceed the average long-term growth rate for the particular sector and country.
The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.
If the carrying amount of an asset or of a cash generating unit to which it is allocated is higher than its recoverable amount, an impairment loss is recognized in profit or loss under "Depreciation, amortization and impairment losses".
Impairment losses of cash generating units are firstly charged against the carrying amount of any goodwill attributed to it and then against the other assets, in proportion to their carrying amount.
If the reasons for a previously recognized impairment loss no longer obtain, the carrying amount of the asset is restored through profit or loss, under "Depreciation, amortization and impairment losses", in an amount that shall not exceed the net carrying amount that the asset would have had if the impairment loss had not been recognized and depreciation or amortization had been performed. The original value of goodwill is not restored even if in subsequent years the reasons for the impairment no longer obtain.
The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets not yet available for use is tested for recoverability annually or more frequently if there is evidence suggesting that the assets may be impaired.
If certain specific identified assets owned by the Group are impacted by adverse economic or operating conditions that undermine their capacity to contribute to the generation of cash flows, they can be isolated from the rest of the assets of the CGU, undergo separate analysis of their recoverability and are impaired where necessary.

Inventories

Inventories are measured at the lower of cost and net realizable value except for inventories involved in trading activities, which are measured at fair value with recognition through profit or loss. Cost is determined on the basis of average weighted cost, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated costs to sell or, where applicable, replacement cost.
For the portion of inventories held to discharge sales that have already been made, the net realizable value is determined on the basis of the amount established in the contract of sale.
Inventories include environmental certificates (green certificates, energy efficiency certificates and CO_2 emissions allowances) that were not utilized for compliance in the reporting period. As regards CO_2 emissions allowances, inventories are allocated between the trading portfolio and the compliance portfolio, i.e. those used for compliance with greenhouse gas emissions requirements. Within the latter, CO_2 emissions allowances are allocated to sub-portfolios on the basis of the compliance year to which they have been assigned.
Inventories also include nuclear fuel stocks, use of which is determined on the basis of the electricity generated.
Materials and other consumables (including energy com-

modities) held for use in production are not written down if it is expected that the final product in which they will be incorporated will be sold at a price sufficient to enable recovery of the cost incurred.

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 recognized and measured in accordance with IAS 32 and IFRS 9.

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

Trade receivables arising from contracts with customers, in the scope of IFRS 15, are initially measured at their transaction price (as defined in IFRS 15) if such receivables do not contain a significant financing component or when the Group applies the practical expedient allowed by IFRS 15.

Conversely, the Group initially measures financial assets other than receivables above-mentioned 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 amortized cost, at fair value through other comprehensive income and at fair value through profit or loss, on the basis of both Group's business model and the contractual cash flow characteristics of the instrument.

For this purposes, the assessment to determine whether the instrument gives 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 Group'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 measured at amortized cost (debt instruments);
- financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through other comprehensive income 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 amortized cost

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

Financial assets at amortized 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 recognized at fair value, adjusted for any transaction costs, and subsequently measured at amortized cost using the effective interest method; they are subject to impairment.

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

Financial assets at fair value through other comprehensive income (FVOCI) - debt instruments

This category mainly includes listed debt securities not classified as held for trading by the Group reinsurance company.

Financial assets at fair value through other comprehensive income are assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and whose contractual cash flows give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in fair value for these financial assets are recognized in other comprehensive income as well as loss allowances that do not reduce the carrying amount of the financial assets.

When a financial asset is derecognized (e.g. at the time of sale), the cumulative gains and losses previously recognized in equity (except impairment and foreign exchange gains and losses to be recognized in profit or loss) are reversed to the income statement.

Financial assets at fair value through other comprehensive income (FVOCI) - equity instruments

This category includes mainly equity investments in unlisted entities irrevocably designated as such upon initial recognition.

Gains and losses on these financial assets are never recycled to profit or loss. The Group may transfer the cumulative gain or loss within equity.
Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment. Dividends on such investments are recognized in profit or loss unless they clearly represents a recovery of a part of the cost of the investment.

Financial assets at fair value through profit or loss

This category mainly includes: securities, equity investments in other entities, financial investment in fund held for trading and financial assets designated as at fair value through profit or loss at initial recognition.
Financial assets at fair value through profit or loss are:

- financial assets with cash flows that are not solely payments of principal and interest, irrespective of the business model;
- financial assets held for trading because acquired or incurred principally for the purpose of selling or repurchasing in the short term;
- debt instruments designated upon initial recognition, under the option allowed by IFRS 9 (fair value option) if doing so eliminates, or significantly reduces, an accounting mismatch;
- derivatives, including separated embedded derivatives, held for trading or not designated as effective hedging instruments.

Such financial assets are initially recognized at fair value with subsequent gains and losses from changes in their fair value recognized through profit or loss.
This category include also listed equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognized as other income in the income statement when the right of payment has been established.
Financial assets that qualify as contingent consideration are also measured at fair value through profit or loss.

Impairment of financial assets

At the end of each reporting date, the Group recognizes a loss allowance for expected credit losses on trade receivables and other financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets and all other assets in the scope.

In compliance with IFRS 9, as from January 1, 2018, the Group adopted a new impairment model based on the determination of expected credit losses (ECL) using a forward-looking approach. In essence, the model provides for:

- the application of a single framework for all financial assets;
- 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 trade receivables, contract assets and lease receivables, including those with a significant financial component, the Group adopts the simplified approach, determining expected credit losses over a period corresponding to the entire life of the receivable, generally equal to 12 months.
For all financial assets other than trade receivables, contract assets and lease receivables, the Group applies the general approach under IFRS 9, based on the assessment of a significant increase in credit risk since initial recognition. Under such approach, a 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 Group 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 equal to lifetime expected credit losses has been recognized in the previous reporting date, the Group 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 Group 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 Group applies the low credit risk exemption, avoiding the recognition of loss allowances at an amount equal to lifetime expected credit losses due to significant increase

in credit risk, to debt securities at fair value through other comprehensive income, whose counterparty has a strong financial capacity to meet its contractual cash flow obligations (e.g. investment grade).

Cash and cash equivalents

This category includes deposits that are available on demand or at very short term, as well as highly short-term liquid financial investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.
In addition, for the purpose of the consolidated statement of cash flows, cash and cash equivalents do not include bank overdrafts at period-end.

Financial liabilities at amortized cost

This category mainly includes borrowings, trade payables, finance leases and debt instruments.
Financial liabilities, other than derivatives, are recognized when the Group 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 amortized cost using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as at fair value through profit or loss unless they are designated as effective hedging instruments.
Gains or losses on liabilities at fair value through profit or loss are recognized in profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, only if the criteria in IFRS 9 are satisfied.
In this case, the portion of the change in fair value attributable to own credit risk is recognized in other comprehensive income.
The Group has not designated any financial liability as at fair value through profit or loss, upon initial recognition.
Financial liabilities that qualify as contingent consideration are also measured at fair value through profit or loss.

Derecognition of financial assets and liabilities

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

- the contractual right to receive the cash flows associated with the asset expires;
- the Group 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 Group 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 derecognized when they are extinguished, i.e. when the contractual obligation has been discharged, cancelled or expired.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized 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 models" 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 46 "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 non-current on the basis of their maturity date and the Group intention to hold the financial instrument till maturity or not.

Embedded derivatives

An embedded derivative is a derivative included in a "combined" contract (the so-called "hybrid instrument") that contains another non-derivative contract (the so-called host contract) and gives rise to some or all of the combined contract's cash flows.
The main Group contracts that may contain embedded derivatives are contracts to buy or sell non-financial items with clauses or options that affect the contract price, volume or maturity.
A derivative embedded in a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.
Contracts that do not represent financial instruments to be measured at fair value are analyzed in order to identify any embedded derivatives, which are to be separated and measured at fair value. This analysis is performed when the Group becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows.
Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- the host contract is not a financial instrument measured at fair value through profit or loss;
- the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate contract with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are separated from the host contract are recognized in the consolidated financial statements at fair value with changes recognized in profit or loss (except when the embedded derivative is part of a designated hedging relationship).

Contracts to buy or sell non-financial items

In general, contracts to buy or sell non-financial items that are entered into and continue to be held for receipt or delivery in accordance with the Group's normal expected purchase, sale or usage requirements are out of the scope of IFRS 9 and then recognized as executory contracts, according to the "own use exemption".
Such contracts are recognized as derivatives and, as a consequence, at fair value through profit or loss only if:

- they can be settled net in cash; and
- they are not entered into in accordance with the Group's expected purchase, sale or usage requirements.

A contract to buy or sell non-financial items is classified as "normal purchase or sale" if it is entered into:

- for the purpose of the physical delivery;
- in accordance with the entity's expected purchase, sale or usage requirements.

The Group analyses all contracts to buy or sell non-financial assets, with a specific focus on forward purchases and sales of electricity and energy commodities, in order to determine if they shall be classified and treated according to IFRS 9 or if they have been entered into for "own use".

Offsetting financial assets and liabilities

The Group offsets financial assets and liabilities when:

- there is a legally enforceable right to set off the recognized amounts, and
- there is the intention of either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Hyperinflation

In a hyperinflationary economy, the Group adjusts non-monetary items, shareholders' equity and items deriving from index-linked contracts up to the limit of recoverable value, using a price index that reflects changes in general purchasing power.
The effects of initial application are recognized in equity net of tax effects. Conversely, during the hyperinflationary period (until it ceases), the result (gain or loss) of adjustments is recognized in profit or loss and disclosed separately in financial income and expense.
Starting from current year, this standard applies to the Group's transactions in Argentina, whose economy has been declared hyperinflationary from July 1, 2018. Accordingly, and based on the application of IAS 29, the Group has

recognized the effects arising from the adoption of this standard from the beginning of the year (January 1, 2018).

Employee benefits

Liabilities related to employee benefits paid upon or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance sheet date (the projected unit credit method). More specifically, the present value of the defined benefit obligation is calculated by using a discount rate determined on the basis of market yields at the end of the reporting period on high-quality corporate bonds. If there is no deep market for high-quality corporate bonds in the currency in which the bond is denominated, the corresponding yield of government securities is used.

The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

If the value of plan assets exceeds the present value of the related defined benefit obligation, the surplus (up to the limit of any cap) is recognized as an asset.

As regards the liabilities/(assets) of defined benefit plans, the cumulative actuarial gains and losses from the actuarial measurement of the liabilities, the return on the plan assets (net of the associated interest income) and the effect of the asset ceiling (net of the associated interest income) are recognized in other comprehensive income when they occur. For other long-term benefits, the related actuarial gains and losses are recognized through profit or loss.

In the event of a change being made to an existing defined benefit plan or the introduction of a new plan, any past service cost is recognized immediately in profit or loss.

Employees are also enrolled in defined contribution plans under which the Group pays fixed contributions to a separate entity (a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Such plans are usually aimed to supplement pension benefits due to employees post-employment. The related costs are recognized in income statement on the basis of the amount of contributions paid in the period.

Termination benefits

Liabilities for benefits due to employees for the early termination of the employment relationship, both for a Group's decision both for an employee's decision to accept voluntary redundancy in exchange for these benefits, are recognized at the earlier of the following dates:

- when the entity can no longer withdraw its offer of benefits; and
- when the entity recognizes a cost for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

The liabilities are measured on the basis of the nature of the employee benefits. More specifically, when the benefits represent an enhancement of other post-employment benefits, the associated liability is measured in accordance with the rules governing that type of benefits. Otherwise, if the termination benefits due to employees are expected to be settled wholly before twelve months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for short-term employee benefits; if they are not expected to be settled wholly before twelve months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for other long-term employee benefits.

Provisions for risks and charges

Provisions are recognized where there is a legal or constructive obligation as a result of a past event at the end of the reporting period, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the impact is significant, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability.

If the provision is discounted, the periodic adjustment of the present value for the time factor is recognized as a financial expense.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

Where the liability relates to decommissioning and/or site restoration in respect of property, plant and equipment, the initial recognition of the provision is made against the related asset and the expense is then recognized in profit or loss through the depreciation of the asset involved.

Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.
The Group could provide a warranty in connection with the sale of a product (whether a good or service) from contracts with customers in the scope of IFRS 15, in accordance with the contract, the law or its customary business practices. In this case, the Group assesses whether the warranty provides the customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications or whether the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.
After the assessment, if the Group establishes that an assurance warranty is provided, it recognizes a separate warranty liability and corresponding expense when transferring the product to the customer, as additional costs of providing goods or services, without attributing any of the transaction price (and therefore revenue) to the warranty. The liability is measured and presented as a provision.
Otherwise, if the Group determines that a service warranty is provided, it accounts for the promised warranty as a performance obligation in accordance with IFRS 15, recognizing the contract liability as revenue over the period the warranty service is provided and the costs associated as they are incurred.
Finally, if the warranty includes both an assurance element and a service element and the Group cannot reasonably account for them separately, then it accounts for both of the warranties together as a single performance obligation.
In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), the Group recognizes a provision as the lower of the costs of fulfilling the obligation that exceed the economic benefits expected to be received under the contract and any compensation or penalty arising from failure to fulfil it.
Changes in estimates of accruals to the provision are recognized in the income statement in the period in which the changes occur, with the exception of those in respect of the costs of decommissioning, dismantling and/or restoration resulting from changes in the timetable and costs necessary to extinguish the obligation or from a change in the discount rate. These changes increase or decrease the value of the related assets and are taken to the income statement through depreciation. Where they increase the value of the assets, it is also determined whether the new carrying amount of the assets is fully recoverable. If this is not the case, a loss equal to the unrecoverable amount is recognized in the income statement.
Decreases in estimates are recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.
For more information on the estimation criteria adopted in determining provisions for dismantling and/or restoration of property, plant and equipment, especially those associated with nuclear power plants, please see the section on the use of estimates.

Government grants

Government grants, including non-monetary grants at fair value, are recognized where there is reasonable assurance that they will be received and that the Group will comply with all conditions attaching to them as set by the government, government agencies and similar bodies whether local, national or international.
When loans are provided by governments at a below-market rate of interest, the benefit is regarded as a government grant. The loan is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying amount of the loan and the funds received. The loan is subsequently measured in accordance with the requirements for financial liabilities.
Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the costs that the grants are intended to compensate.
Where the Group receives government grants in the form of a transfer of a non-monetary asset for the use of the Group, it accounts for both the grant and the asset at the fair value of the non-monetary asset received at the date of the transfer.
Grants related to long-lived assets, including non-monetary grants at fair value, i.e. those received to purchase, build or otherwise acquire non-current assets (for example, an item of property, plant and equipment or an intangible asset), are recognized on a deferred basis under other liabilities and are credited to profit or loss on a straight-line basis over the useful life of the asset.

Environmental certificates

Some Group companies are affected by national regulations governing green certificates and energy efficiency certifi-

cates (so-called white certificates), as well as the European "Emissions Trading System".
Green certificates, which now only exist outside of Italy, accrued in proportion to electricity generated by renewable energy plants and energy efficiency certificates accrued in proportion to energy savings achieved that have been certified by the competent authority are treated as non-monetary government operating grants and are recognized at fair value, under other revenue and income, with recognition of an asset under other non-financial assets, if the certificates are not yet credited to the ownership account, or under inventories, if the certificates have already been credited to that account. At the time the certificates are credited to the ownership account, they are reclassified from other assets to inventories.
Revenue from the sale of such certificates are recognized under revenue, with a corresponding decrease in inventories.
For the purposes of accounting for charges arising from regulatory requirements concerning green certificates, energy efficiency certificates and CO_2 emissions allowances, the Group uses the "net liability approach".
Under this accounting policy, environmental certificates received free of charge and those self-produced as a result of Group's operations that will be used for compliance purposes are recognized at nominal value (nil). In addition, charges incurred for obtaining (in the market or in some other transaction for consideration) any missing certificates to fulfil compliance requirements for the reporting period are recognized through profit or loss on an accruals basis under other operating expenses, as they represent "system charges" consequent upon compliance with a regulatory requirement.

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. This classification criteria is applicable only when non-current assets (or disposal groups) are available in their present condition for immediate sale and the sale is highly probable.
If the Group is committed to a sale plan involving loss of control of a subsidiary and the requirements provided for under IFRS 5 are met, all the assets and liabilities of that subsidiary are classified as held for sale when the classification criteria are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.
The Group applies these classification criteria as envisaged in IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.
Non-current assets (or disposal groups) and liabilities of disposal groups classified as held for sale are presented separately from other assets and liabilities in the balance sheet.
The amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale are not reclassified or re-presented for prior periods presented.
Immediately before the initial classification of non-current assets (or disposal groups) as held for sale, the carrying amounts of such assets (or disposal groups) are measured in accordance with the IFRS-EU applicable to the specific assets or liabilities. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses for any initial or subsequent writedown of the assets (or disposal groups) to fair value less costs to sell and gains for their reversals are included in profit or loss from continuing operations.
Non-current assets are not depreciated (or amortized) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.
If the classification criteria are no longer met, the Group ceases to classify non-current assets (or disposal group) as held for sale. In that case they are measured at the lower of:

- the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized if the asset (or disposal group) had not been classified as held for sale; and
- the recoverable amount, which is equal to the greater of its fair value net of costs of disposal and its value in use, as calculated at the date of the subsequent decision not to sell.

Any adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations.
A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;

- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group presents, in a separate line item of the income statement, a single amount comprising the total of:

- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

The corresponding amount is re-presented in the income statement for prior periods presented in the financial statements, so that the disclosures relate to all operations that are discontinued by the end of the current reporting period. If the Group ceases to classify a component as held for sale, the results of the component previously presented in discontinued operations are reclassified and included in income from continuing operations for all periods presented.

Revenue

The Group revenue mainly arises from contracts with customers in the scope of IFRS 15. The Group recognizes such revenue to depict the transfer of promised goods or services to the customers at an amount that reflects the consideration at which the Group expects to be entitled in exchange for those goods or services.

The Group applies this core principle using a five-step model:

- identify the contract with the customer (step 1).

  The Group applies IFRS 15 to contracts with customers in the scope of the standard when the contract is legally enforceable and all the following criteria are met:
  - the contract is approved and the parties are committed to their obligations;
  - rights to goods or services and payment terms can be identified;
  - the contract has commercial substance;
  - the consideration the Group expects to be entitled to is probable of collection.

  In order to assess such identification criteria, the Group considers all facts and circumstances, including the following features:
  - a contract is an agreement between two or more parties that creates enforceable rights and obligations;
  - enforceability of the rights and obligations in a contract is a matter of law;
  - contract can be written, oral or implied by the Group's customary business practices;
  - the practices and processes for establishing contracts with customers vary across legal jurisdictions, industries and entities. In addition, they may vary within the Group (for example, they may depend on the class of customer or the nature of the promised goods or services);
  - the Group considers those practices and processes in determining whether and when an agreement with a customer creates enforceable rights and obligations.

  If the criteria are not met, any consideration received from the customer is generally recognized as an advance;
- identify the performance obligations in the contract (step 2).

  The Group identifies all goods or services promised in the contract, separating them into performance obligations to account for separately if they are both: capable of being distinct and distinct in the context of the contract.

  As an exception, the Group accounts for a single performance obligation a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer over time.

  In assessing the existence and the nature of the performance obligations, the Group considers all contract's features as mentioned in step 1.

  For each distinct good or service identified, the Group determines whether it acts as a principal or agent, respectively, if it controls or not the specified good or service that is promised to the customer before its control is transferred to the customer. Some indicators of controls are (a) having primary responsibility to provide the goods or services, (b) assuming inventory risk and (c) having discretion to establish prices for the goods or services. When the Group acts as agent, it recognizes revenue on a net basis, corresponding to any fee or commission to which it expects to be entitled;
- determine the transaction price (step 3).

  The transaction price represents the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (e.g., some sale taxes and value-added taxes).

  The Group determines the transaction price at inception of the contract (using the legally enforceable contract terms and not taking into consideration the possibility of a contract being cancelled, renewed or modified) and updates it each reporting period for any changes in circumstances.

  When the Group determines the transaction price, it considers if the transaction price includes:
  - variable consideration, if the consideration to which the

Group is entitled under the contract may vary or if the stated price in the contract is fixed but the Group is entitled to the consideration only upon the occurrence or non-occurrence of a future event. The amount of estimated variable consideration included in the transaction price is constrained to the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved;
- non-cash consideration received from a customer that is measured at fair value;
- consideration payable to a customer that represents a reduction of the transaction price unless it is a payment for distinct goods or services received from the customer;
- significant financing component that may exist if the timing of the payment does not match the timing of the transfer of goods or services to the customer. The Group does not consider the effects of a significant financing component if it expects, at contract inception, that the period between when it transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less;

→ allocate the transaction price (step 4).

The Group allocates the transaction price at contract inception to each separate performance obligation to depict the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services.

When the contract includes a customer option to acquire additional goods or services that represents a material right (a material right exists if the customer is only able to obtain the option by entering into the contract and the option provides the customer with the ability to obtain the additional goods or services at a price below stand-alone selling prices), the Group allocates the transaction price to this performance obligation (i.e. the option) and defers the relative revenue until those future goods or services are transferred or the option expires.

The Group generally allocates the transaction price on the basis of the relative stand-alone selling price of each distinct good or service promised in the contract (that is, the price at which the Group would sell that good or service separately to the customer);

→ recognize revenue (step 5).

The Group recognizes revenue when (or as) each performance obligation is satisfied by transferring the promised good or service to the customer, which is when the customer obtains control of the good or service (i.e., the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods or services or prevent others from doing so).

As a first step, the Group determines if one of the over-time criteria is met:
- the customer simultaneously receives and consumes the benefits as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Group recognizes revenue over time by measuring progress toward the complete satisfaction of that performance obligation using:
- an output method, based on direct measurement of the value to the customer of goods or services transferred to date, relative to the remaining goods or services promised under the contract;
- an input method, based on the Group's efforts or inputs towards satisfying a performance obligation, relative to the total expected inputs to the satisfaction of that performance obligation.

The Group consistently applies a single method of measuring progress from contract inception until full satisfaction and to similar performance obligations and in similar circumstances.

When the Group cannot reasonably measure the progress, it recognizes revenue only to the extent of the costs incurred that are considered recoverable.

If the performance obligation is not satisfied over time, the Group determines the point in time at which control of the goods or services passes to the customer, also considering the following indicators:
- a present obligation to pay;
- physical possession;
- legal title;
- risks and rewards of ownership; and
- accepted the asset.

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, it recognizes a contract asset relating to the right to consideration in exchange for goods or services transferred to the customer.

If a customer pays consideration before the Group transfers goods or services to the customer, the Group recognizes a contract liability when the payment is made (or the payment is due); the liability is recognized as revenue when the Group performs under the contract.

With regard to the general criteria used for the revenue recognition under the previous standards, please refer to the notes to financial statements at December 31, 2017. More specifically, the criteria used under IFRS 15 and previous standards for the principal transactions are summarized as below:

- revenue from the sale of goods:
  - under previous standards, it is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer;
  - under IFRS 15, it is recognized at the point in time at which the customer obtains the control of goods if the Group considers that the sale of goods is satisfied at a point in time;
- revenue from the sale and transport of electricity/gas:
  - under previous standards, it is recognized when these commodities are delivered to the customer (i.e., the end user) and referred to the quantities provided during the period, even if these have not yet been invoiced, and is determined using estimates as well as periodic meter readings. Where applicable, this revenue is based on the rates and related restrictions established by law or the Regulatory Authority for Energy, Networks and Environment (ARERA) and analogous foreign authorities during the applicable period;
  - under IFRS 15, the revenue recognition is generally the same but the underlying assessment is different. This is a consequence of the fact that such contracts typically include a single performance obligation (i.e., a series) satisfied over time for which the Group applies an output method to recognize revenue in the amount to which it has a right to invoice the customer if that amount corresponds directly with the value to the customer of the performance completed to date;
- revenue from providing services:
  - under previous standards, it is recognized by reference to the stage of completion of services at the end of the reporting period, that is when the services are rendered. The stage of completion of the transaction is determined based on service performed to date as percentage of total services to be performed or as costs incurred to date as a percentage of the estimated total costs of the transaction. When it is not possible to reliably determine the value of the revenue, it is recognized only to the extent of the expenses recognized that are recoverable;
  - under IFRS 15, it is recognized on basis of the progress towards complete satisfaction of the performance obligation measured with an appropriate method that best reflects this progress if the Group considers that the performance obligation is satisfied over time. The cost-incurred method (cost-to-cost method) is considered appropriate for measuring progress, except when specific contract analysis suggests the use of an alternative method which better depicts satisfaction of the performance obligation;
- revenue from monetary and in-kind fees for connection to the electricity and gas distribution network:
  - under previous standards, it is recognized in full upon completion of connection activities if only the service connection is identified. If more than one separately identifiable service is identified, the fair value of the total consideration received or receivable is allocated to each service and the revenue related to the service performed in the period is recognized; in particular, if any ongoing services are identified, the related revenue is generally determined by the terms of the agreement with the customer or, when such an agreement does not specify a period, over a period no longer than the useful life of the transferred asset;
  - under IFRS 15, it is recognized on basis of the satisfaction of the performance obligations included in the contract. The identification of distinct goods or services requires a careful analysis of the terms and conditions of the connection arrangements, which could vary from country to country based on the local context, regulations and law. In order to finalize this assessment, the Group considers not only the characteristics of the goods/services themselves (i.e., the good or service is capable of being distinct) but also the implied promises for which the customer has a valid expectation as it views those promises as part of the negotiated exchange, that is goods/services that the customer expects to receive and for which has paid (i.e., the promise to transfer the good or service to the customer is separately identifiable from other promises in the contract). For more details about this topic, please refer to the section on management judgments;

- revenue from construction contracts:
  - under previous standards, when the outcome can be estimated reliably and it is probable that the contract will be profitable, it is recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Under this criteria, revenue and profit are attributed to the proportion of work completed.

    When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is recognized as an expense immediately, regardless of the stage of completion of the contract.

    When the outcome of a construction contract cannot be estimated reliably, the contract revenue is recognized only in an amount equal to the contract costs incurred that are likely to be recovered.

    The stage of completion of the contract in progress is determined, using the cost-to-cost method, as a ratio between costs incurred for work performed to the measurement date and the estimated total contract costs. In addition to initial amount of revenue agreed in the contract, contract revenue includes any payments in respect of variations, claims and incentives, to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

    The amount due from customers for contract work is presented as an asset; the amount due to customers for contract work is presented as a liability;
  - under IFRS 15, it is recognized over time if the Group considers that the construction contract includes a performance obligation satisfied over time, by measuring progress toward the complete satisfaction of that performance obligation using an appropriate method that better depicts this progress. The cost incurred method (cost-to-cost method) is considered appropriate for measuring progress, except when specific contract analysis suggests the use of an alternative method, which better depicts the performance obligation.

    The amount due from customers for contract work is presented as a contract asset; the amount due to customers for contract work is presented as a contract liability.

Financial income and expense from derivatives

Financial income and expense from derivatives includes:

- income and expense from derivatives measured at fair value through profit or loss on interest rate and foreign exchange risk;
- income and expense from fair value hedge derivatives on interest rate risk;
- income and expense from cash flow hedge derivatives on interest rate and foreign exchange risks.

Other financial income and expense

For all financial assets and liabilities measured at amortized cost and interest-bearing financial assets classified as at fair value through other comprehensive income, interest income and expense is recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured.

Other financial income and expense include also changes in the fair value of financial instruments other than derivatives.

Income taxes

Current income taxes

Current income taxes for the period, which are recognized under "Income tax payable" net of payments on account, or under "Tax receivable" where there is a credit balance, are determined using an estimate of taxable income and in conformity with the applicable regulations.

In particular, such payables and receivables are determined using the tax rates and tax laws that are enacted or substantively enacted by the end of the reporting period in the countries where taxable income has been generated.

Current income taxes are recognized in profit or loss with the exception of current income taxes related to items recognized outside profit or loss that are recognized in equity.

Deferred tax

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 enacted or substantively enacted as at end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.
Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, 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 period-end.
Unrecognized deferred tax assets are re-assessed at each reporting date and they are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
Deferred taxes are recognized in profit or loss, with the exception of those in respect of items recognized outside profit or loss that are recognized in equity.
Deferred tax assets and deferred tax liabilities are offset against current tax liabilities related to income taxes levied by the same taxation authority that arise at the time of reversal if a legally enforceable right to set-off exists.

Dividends

Dividends are recognized when the unconditional right to receive payment is established.
Dividends and interim dividends payable to a Company's shareholders are recognized as changes in equity in the period in which they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

3

Recent accounting standards

New accounting standards applied in 2018

The Group has applied the following standards, interpretations and amendments that took effect as from January 1, 2018:

- "IFRS 9 - Financial instruments", issued, in its final version, on 24 July 2014, including "Amendments to IFRS 9: Prepayment features with negative compensation" issued in October 2017 and elected by the Group to be applied starting from January 1, 2018, which replaces the current "IAS 39 - Financial instruments: recognition and measurement" and fully supersedes the previous version.
- "IFRS 15 - Revenue from contracts with customers", issued in May 2014, including "Amendments to IFRS 15: effective date of IFRS 15", issued in September 2015, and "Clarifications to IFRS 15: Revenue from contracts with customers", issued in April 2016, which provides amendments in the standard in order to propose some clarifications with respect to practical expedients and some topics discussed by the Joint Transition Resource Group created by IASB and FASB. The new standard has replaced "IAS 11 - Construction contracts", "IAS 18 - Revenue", "IFRIC 13 - Customer Loyalty programmes", "IFRIC 15 - Agreements for the construction of real estate", "IFRIC 18 - Transfers of assets from customers", "SIC 31 - Revenue - Barter transactions involving advertising services" and it applies to all contracts with customers, except for some scope exemptions (e.g., lease and insurance contracts, financial instruments, etc.).
- "Amendments to IFRS 2: Classification and measurement of share-based payment transactions", issued in June 2016. The amendments:
  - clarify that the fair value of a cash-settled share-based payment at the measuring date (i.e. when granted, at the end of each reporting period and at the date of settlement) is measured taking into account market conditions (e.g. target share price) and non-vesting conditions, ignoring instead service and non-market performance conditions;
  - clarify that share-based payment transactions with a net settlement feature for withholding tax obligations would be classified as equity-settled in its entirety (assuming they would have been so classified without the net settlement feature);
  - provide requirements on the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

  The application of these amendments did not have a significant impact in the consolidated financial statements.
- "Amendments to IFRS 4: Applying IFRS 9 - Financial instruments with IFRS 4 - Insurance contracts", issued in September 2016. The amendments:

- permit insurers whose activities are predominantly connected with insurance to postpone the application of IFRS 9 until 2021 (the "temporary exemption"); and
- permit insurers, until the future issue of the new accounting standard for insurance contracts, to recognize the volatility that should be caused by the application of IFRS 9 in other comprehensive income (OCI), rather than profit or loss (the "overlay approach").

The Enel Group decided to not exercise the option for the temporary exemption for the application of IFRS 9 to the insurance sector.

→ "Amendments to IAS 40: Transfers of investment property", issued in December 2016; the amendments clarify that to transfer to, or from, investment properties there must be a change in use. This change must be supported by evidence and a simply change in intention is not enough to support a transfer. The amendments expands the examples of change in use to include assets under construction and development and not only transfers of completed properties. The application of these amendments did not have an impact in the consolidated financial statements.

→ "IFRIC 22 - Foreign currency transactions and advance consideration", issued in December 2016; the interpretation clarifies that, for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of it), the date of the transaction is that on which the entity recognizes any non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The application of these amendments did not have a significant impact in the consolidated financial statements.

→ "Annual improvements to IFRSs 2014-2016 cycle", issued in December 2016; the document contains formal modifications and clarifications of existing standards. More specifically, the following standards were amended:
- "IFRS 1 - First-time adoption of international financial reporting standards"; the amendments delete short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10;
- "IAS 28 - Investments in associates and joint ventures"; the amendments clarified that the option to measure investments in associates or joint ventures at fair value through profit or loss held by a venture capital organization (or a mutual fund, unit trust and similar entities including investment-linked insurance) must be elected at initial recognition separately for each associate or joint venture.

The application of the new provisions did not have a significant impact in the consolidated financial statements.

→ "IAS 29 - Financial reporting in hyperinflationary economies", issued in July 1989; the standard essentially provides criteria for measurement, presentation and disclosure in the financial statements, including the consolidated financial statements, of companies whose functional currency is the currency of a hyperinflationary economy. Starting from January 1, 2018 the Group has applied the standard to the financial statements of Argentine companies.

Forthcoming accounting standards

Below is a list of accounting standards, amendments and interpretations that will be effective for the Group after December 31, 2018:

→ "IFRS 16 - Leases", issued on January 2016, that 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". With the European Regulation 2017/1986 issued on October 31, 2017 it has been endorsed the "IFRS 16 - Leases".

IFRS 16 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.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurements of the lease liability as an adjustment to the right-of-use asset.

Previously, the Group recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors

will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.
The standard includes two recognition exemptions for lessees: leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a term of 12 months or less). IFRS 16 is effective for annual periods beginning on or after January 1, 2019.
The Group has not early adopted IFRS 16 in its consolidated financial statements for the year ended December 31, 2018. In any case, in order to assess the possible impact that the application of IFRS 16 will have on its financial statements in the period of initial application, the Group has set up a project team, which has reviewed all of the group's lease arrangements in light of the new lease accounting rules in IFRS 16. In particular, the Group has identified a specific IT system tool in order to manage the new accounting requirement and has reviewed its accounting process in order to be compliant to the new accounting framework.
As a preliminary result of the project team, the Group has assessed the estimated impacts that initial application of IFRS 16 will have on its consolidated financial statements, as described below.
The new accounting standard will impact substantially all of the Group entities having a lease contracts. The main topics arisen are those represented by the lease of land and building, cars and other means of transportation and other technical machinery.

The complexity of the assessment of the lease contracts and their long-term expiration date has required considerable professional judgements in order to estimate the potential impacts of the new accounting standard. In particular, the main assumptions used are:

- the identification of the non-lease component in the lease arrangements;
- the evaluation of any renewable option included into the lease arrangements identified, also considering the probability of the exercise of any eventual termination option;
- the identification of any variable lease payments that depend on an index or a rate to determine where those changes impacts the future lease payments and also the amount of the right-of-use asset;
- the estimate of the discount rate to calculate the present value of the lease payments. This is equal to the incremental borrowing rate of the lessee when the interest rate implicit in the lease cannot be readily determined. For the transition, as permitted by the standard, the Group has used the lessee's incremental borrowing rate (IBR) as of January 1, 2019. It is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. It can be determined on a contract individual level or on a portfolio basis. One of the most significant judgements the Enel Group in adopting IFRS 16 was determining this incremental borrowing rate necessary to calculate the present value of the lease payments at the transition. The Enel Group approach to determining this incremental borrowing rate is based on the assessment of the risk-free rate, which considers contractual cash flows, the lease term and the economic environment where the lease contract has been negotiated and any credit spread adjustment, in order to calculate an IBR that is specific for the lessee. This rate has been adjusted where appropriate for leased assets whose intrinsic value would mitigate the risk of default for the lessor.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value whose amount is estimated as not material. For example, the Group has leases for certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.
For the transition of the new accounting standard, the Group elected to use the following practical expedients:

- to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4;
- to use the modified retrospective approach, the Group recognized the cumulative effect of adopting IFRS 16 as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information;
- to measure the lease liability at the present value of the remaining lease payments, the discount rate was represented by the incremental borrowing rate of the Enel Group entity's lessee as of January 1, 2019;
- to mainly recognize a right-of-use asset at the date of initial application for an amount equal to the lease liability, adjusted by the amount of any prepaid or ac-

crued lease payments relating to that lease recognized in the balance sheet immediately before the date of initial application;
- to rely on its assessment of whether right-of-use assets are recoverable at January 1, 2019 on the basis of the assessment of whether the leases are onerous in accordance with IAS 37.

Based on the information currently available, the Group has estimated that it will recognize additional lease liabilities of €1.4 billion as at January 1, 2019.

In particular, these additional lease liabilities mainly regard the right-of-use in respect of buildings and the ground lease of renewable energy plants.

A reconciliation between minimum lease payments disclosed based on the requirements of IAS 17 and IFRS 16 impacts based on the information available as at at January 1, 2019 is provided below:

Billions of euros	
Minimum lease payments for the lease contracts – IAS 17	2.4
Weighted average borrowing rate	6.5%
Discount impact	1.0
Lease liability under IFRS 16	1.4

→ "IFRS 17 - Insurance contracts", issued in May 2017, essentially sets out the principle for the recognition, measurement, presentation and disclosure of insurance contracts, including reinsurance contracts, an entity issues and reinsurance contracts an entity holds. IFRS 17 replaces the previous standard IFRS 4 for which companies were not required to account for insurance contracts in one specific way. Instead, insurance contracts were accounted for differently across jurisdictions and may even be accounted for differently within the same company.

The new standard:
- requires provision of updated information about the obligations, risks and performance of insurance contracts;
- increases transparency in financial information reported by insurance companies, which will give investors and analysts more confidence in understanding the insurance industry; and
- introduces consistent accounting for all insurance contracts based on a current measurement model.

The standard will take effect, subject to endorsement, for annual periods beginning on or after January 1, 2021. The Group is assessing the potential impact of the future application of the new provisions.

→ "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). Where the assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognized by the investor only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but if the amendments are applied early, they must be applied prospectively. The Group is assessing the potential impact of the future application of the new provisions.

→ "Amendments to IAS 1 and IAS 8 - Definition of material", issued in October 2018. The amendments clarify the definition of "material" as follows: "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." By including the concept of "obscuring information" in the new definition, the amendments specifies that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. In order to avoid situations in which information that is not capable of influencing the decisions of the primary users is required to be included in the financial statements, the amendments also introduce a new threshold in the definition of material by replacing "could influence" with "could reasonably be expected to influence". Lastly, the amendments clarify that an entity is required to consider primary users of the financial statements (i.e. existing and potential investors, lenders and other creditors) when deciding what information to disclose. The amendments will take effect, subject to endorsement, for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Group is assessing the potential impact of the future application of the new provisions.

→ "Amendments to IAS 19 - Plan amendment, curtailment or settlement", issued in February 2018.

The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments do not address the accounting for "significant market fluctuations" in the absence of a plan amendment, curtailment or settlement. The amendments apply to plan amendments, curtailments or settlements that occur on or after January 1, 2019, with earlier application permitted. The Group is assessing the potential impact of the future application of the new provisions.

→ "Amendments to IFRS 3 - Definition of a business", issued in October 2018. The amendments clarify that to be considered a business, an acquisition would have to include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. The definitions of a business and of outputs are now focused on goods and services provided to customers and the reference to returns in the form of lower costs and other economic benefits is removed. Moreover, it is no longer necessary to assess whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduced an optional test that, if met, eliminates the need for further assessment (the concentration test). Under this optional test, an acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset (or group of similar identifiable assets).
The amendments will take effect, subject to endorsement, for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Group is assessing the potential impact of the future application of the new provisions.

→ "Revised Conceptual Framework for Financial Reporting", issued in March 2018. The revised version includes comprehensive changes to the previous version of the Conceptual Framework issued in 2010. The Revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria and clarifies some important concepts. In particular, it sets out:
- the objective of general purpose financial reporting;
- the qualitative characteristics of useful financial information;
- a description of the reporting entity and its boundary;
- definitions of an asset, a liability, equity, income and expenses and guidance supporting these definitions;
- criteria for recognition and derecognition of assets and liabilities in financial statements;
- measurement bases and guidance on when to use them;
- concepts and guidance on presentation and disclosure; and
- concepts relating to capital and capital maintenance.

The Revised Conceptual Framework is accompanied by a Basis for Conclusions. The IASB has also issued a separate accompanying document, "Amendments to References to the Conceptual Framework in IFRS Standards", which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework.
The Revised Conceptual Framework will take effect for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. The Group is assessing the potential impact of the future application of the new provisions.

→ "Amendments to IAS 28 - Long-term interests in associates and joint ventures", issued in October 2017; the amendments clarify that an entity must apply "IFRS 9 - Financial instruments" to non-current interests in associates and joint ventures to which the equity method is not applied. The amendments will take effect, subject to endorsement, for annual periods beginning on or after January 1, 2019. The Group is assessing the potential impact of the future application of the new provisions.

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

- "Annual improvements to IFRSs 2015-2017 cycle", issued in December 2017; the document contains formal modifications and clarifications of existing standards. Each of the amendments shall be applicable for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. More specifically, the following standards were amended:
  - "IFRS 3 - Business combinations"; the amendments clarify that when a joint operator obtains control of a business that is a joint operation, it shall remeasure its previously held interest in the joint operation at fair value at the acquisition date;
  - "IFRS 11 - Joint arrangements"; the amendments clarify that a party that participates in, but does not have joint control of, a joint operation and obtains joint control of the joint operation that constitutes a business as defined in IFRS 3 is not required to remeasure previously held interests in the joint operation;
  - "IAS 12 - Income taxes"; the amendments clarify that an entity shall recognize the income tax consequences of dividends (as defined in IFRS 9) when it recognizes a liability to pay a dividend in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated distributable profits;
  - "IAS 23 - Borrowing costs"; the amendments clarify that an entity shall include borrowings made specifically for the purpose of obtaining a qualifying asset outstanding when the asset is ready for its intended use or sale in the generic borrowings of the entity.

  The Group is assessing the potential impact of the future application of the provisions.

4

Effects of the application of new accounting standards

Impact of the initial application of IFRS 9 and 15

With effect from January 1, 2018, the new standards IFRS 9 and IFRS 15 issued by the IASB took effect. First-time retrospective adoption led to the restatement of a number of balance sheet items at January 1, 2018, as Enel elected to exercise the option to use the simplification envisaged in the standards for first-time adopters.

The following discusses the main changes introduced by the new standards. For more details on their substance, see note 3 above:

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

  During 2017 the transition project for the three areas of application of the new standard was completed. Each project stream involved the following:
  - "Classification and measurement": the procedures for classifying financial instruments provided for in IAS 39 were assessed in comparison with those envisaged under IFRS 9 (i.e., SPPI test and business model). In consideration of the fact that the 1st Quarter of 2018 saw the endorsement of the amendments to "IFRS 9 - Prepayment features with negative compensation", issued by the IASB in October 2017 and applicable as from January 1, 2019, with the option of application as from January 1, 2018, the Group elected early and retrospective application of the amendments. During the quarter, Enel analyzed the situations impacted by the amendments, which:

    a) introduce an exception for certain financial assets that have contractual cash flows that are solely payments of principal and interest but do not pass the SPPI test only because of a prepayment option, permitting their measurement at fair value through profit or loss in certain circumstances specified by the standard;

    b) clarify that the requirements of IFRS 9 for the adjustment of the amortized cost of a financial liability in the event of a modification (or an exchange) that does not result in derecognition are consistent with the analogous provisions for the adjustment of a financial asset. Accordingly, the new cash flows shall be discounted at the original effective interest rate and the difference between the pre-modification present value of the liability and the new value shall be recognized through profit or loss as at the date of the modification. In this regard, Enel, with reference to exchanges transacted in 2015 and 2016, applied the accounting treatment envisaged in international best practice, in compliance with IAS 39, and did not recognize any income or costs through profit or loss as at the date of the contractual modifications, but amortized them over the residual life of the modified financial liability at the effective interest rate recalculated as at the date of the exchange. As a result of the early application of these amendments, the exchanges have been accounted for using the new method with effect as from January 1, 2018, restating the opening balances, which involved an increase in Group shareholders' equity of €97 million and a concomitant decrease in net financial debt of €129 million.

- "Impairment": an analysis of impaired financial assets was conducted, with a focus on trade receivables representing the majority of the Group's credit exposure. In particular, in application of the simplified approach envisaged in the standard, those receivables were grouped into specific clusters, taking account of the applicable legislative and regulatory environment, and the impairment model based on expected losses developed by the Group for collective valuation was applied. For trade receivables that management deemed significant on an individual basis and for which more detailed information on the significant increase in credit risk was available, an analytical approach was adopted within the simplified model. The application of the new impairment model decreased Group shareholders' equity at January 1, 2018 by €175 million.
- "Hedge accounting": specific activities were conducted to implement the new hedge accounting model, both in terms of effectiveness tests and rebalancing hedge relationships and of analyzing the new strategies applicable under IFRS 9. As regards hedging instruments, the most significant changes with respect to the hedge accounting model envisaged under IAS 39 regard the possibility of deferring the time value of an option, the forward component of a forward contract and currency basis spreads (so-called "hedging costs") in other comprehensive income (OCI) until the hedged element affects profit or loss. In practice, the reserve in OCI that contains the fair value of hedging instruments ("full" fair value) has been divided into two OCI reserves that report the "basis-free" fair value and the "basis spread element", respectively. The following table summarizes the effects of that division:

Millions of euro

IFRS 9	**at Jan. 1, 2018**
Derivatives - "full" fair value	(1,740)
Derivatives - "basis-free" fair value	(1,392)
Derivatives - "basis spread element"	(348)

At January 1, 2017, the reclassification of the OCI reserves reflecting the basis-free fair value and the basis spread element amounted to €480 million.

→ "IFRS 15 - Revenue from contracts with customers", issued in May 2014, including the "Amendments to IFRS 15: Effective date of IFRS 15", issued in September 2015. The standard was applied retrospectively as from annual periods beginning on January 1, 2018, with the possibility of recognizing the cumulative impact in equity at January 1, 2018.

More specifically, the most significant situations in the Group consolidated financial statements that have been affected by the new provisions of IFRS 15 mainly regard:

a) revenue from grid connection contracts that were previously recognized in profit or loss at the time of connection but, as a result of IFRS 15, are now deferred on the basis of the nature of the performance obligation specified in the contract with customers;

b) the capitalization of costs of obtaining a contract, limited to incremental sales commissions paid to agents. The effects on Group shareholders' equity at January 1, 2018 of the deferral of connection fees and the capitalization of contract costs amounted to a negative €3,948 million and a positive €303 million, respectively.

The following table reports changes in the consolidated balance sheet at January 1, 2018 associated with the application of IFRS 9 and IFRS 15, as well as other minor effects not discussed above with regard to IFRS 15.

Millions of euro

ASSETS		at Dec. 31, 2017	IFRS 9 effect	IFRS 15 effect	at Jan. 1, 2018
Non-current assets					
Property, plant and equipment		74,937	-	-	74,937
Investment property		77	-	-	77
Intangible assets		16,724	-	193 (1)	16,917
Goodwill		13,746	-	-	13,746
Deferred tax assets		6,354	69	1,066 (2)	7,489
Equity investments accounted for using the equity method		1,598	-	-	1,598
Derivatives		702	-	-	702
Non-current contract assets		-	-	269	269
Other non-current financial assets		4,002	(19)	-	3,983
Other non-current assets		1,064	-	-	1,064
	[Total]	**119,204**	**50**	**1,528**	**120,782**
Current assets					
Inventories		2,722	-	-	2,722
Trade receivables		14,529	(207)	(11)	14,311
Current contract assets		-	-	90	90
Tax receivables		577	-	-	577
Derivatives		2,309	-	-	2,309
Other current financial assets		4,614	(11)	-	4,603
Other current assets		2,695	(19)	(66)	2,610
Cash and cash equivalents		7,021	-	-	7,021
	[Total]	**34,467**	**(237)**	**13**	**34,243**
Assets classified as held for sale		**1,970**	**-**	**-**	**1,970**
TOTAL ASSETS		**155,641**	**(187)**	**1,541**	**156,995**

(1) Of which €451 million from the capitalization of contract costs.
(2) €1,066 million refers to the deferral of connection fees in Italy.

Millions of euro

LIABILITIES AND SHAREHOLDERS' EQUITY	at Dec. 31, 2017	IFRS 9 effect	IFRS 15 effect	at Jan. 1, 2018
Equity attributable to shareholders of the Parent Company				
Share capital	10,167	-	-	10,167
Other reserves	3,348	(78)	(3,626)	(356)
Retained earnings/(Loss carried forward)	21,280	-	-	21,280
[Total]	**34,795**	**(78)**	**(3,626)**	**31,091**
Non-controlling interests	**17,366**	**(20)**	**(556)** (1)	**16,790**
Total shareholders' equity	**52,161**	**(98)**	**(4,182)**	**47,881**
Non-current liabilities				
Long-term borrowings	42,439	(129)	-	42,310
Employee benefits	2,407	-	-	2,407
Provisions for risks and charges (non-current portion)	4,821	-	-	4,821
Deferred tax liabilities	8,348	40	(476) (2)	7,912
Derivatives	2,998	-	-	2,998
Non-current contract liabilities	-	-	6,210 (3)	6,210
Other non-current liabilities	2,003	-	-	2,003
[Total]	**63,016**	**(89)**	**5,734**	**68,661**
Current liabilities				
Short-term borrowings	1,894	-	-	1,894
Current portion of long-term borrowings	7,000	-	-	7,000
Provisions for risks and charges (current portion)	1,210	-	-	1,210
Trade payables	12,671	-	(17)	12,654
Income tax payable	284	-	-	284
Derivatives	2,260	-	-	2,260
Current contract liabilities	-	-	384	384
Other current financial liabilities	954	-	-	954
Other current liabilities	12,462	-	(378)	12,084
[Total]	**38,735**	**-**	**(11)**	**38,724**
Liabilities included in disposal groups classified as held for sale	**1,729**	**-**	**-**	**1,729**
Total liabilities	**103,480**	**(89)**	**5,723**	**109,114**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**155,641**	**(187)**	**1,541**	**156,995**

(1) Of which a positive impact of €24 million from the capitalization of contract costs and a negative impact of €580 million from the deferral of connection fees.
(2) Of which a positive impact of €124 million from the capitalization of contract costs and a negative impact of €600 million from the deferral of connection fees in Spain and Romania.
(3) Of which €6,194 million from the deferral of connection fees.

The following table reports the impact on the balance sheet at December 31, 2018 and the income statement for 2018 if IFRS 15 had not been adopted.

Millions of euro	2018		
	With IFRS 15	**Without IFRS 15**	**Change**
Revenue			
Revenue from sales and services	73,134	73,146	(12)
Other revenue and income	2,538	2,538	-
[Subtotal]	**75,672**	**75,684**	**(12)**
Costs			
Electricity, gas and fuel purchases	35,728	35,728	-
Services and other materials	18,870	19,090	(220)
Personnel	4,581	35,728	-
Net impairment/(reversal of impairment) of trade receivables and other receivables	1,096	1,096	-
Depreciation, amortization and other impairment losses	5,355	5,189	166
Other operating expenses	2,889	2,889	-
Capitalized costs	(2,264)	(2,264)	-
[Subtotal]	**66,255**	**66,309**	**(54)**
Net income/(expense) from commodity contracts measured at fair value	**483**	**483**	**-**
Operating income	**9,900**	**9,858**	**42**
Financial income from derivatives	1,993	1,993	-
Other financial income	1,715	1,715	-
Financial expense from derivatives	1,532	1,532	-
Other financial expense	4,392	4,392	-
Net income/(expense) from hyperinflation adjustments	168	168	-
Share of income/(losses) of equity investments accounted for using the equity method	349	349	-
Income before taxes	**8,201**	**8,159**	**42**
Income taxes	1,851	1,836	15
Net income from continuing operations	**6,350**	**6,323**	**27**
Net income from discontinued operations	**-**	**-**	**-**
Net income for the period (shareholders of the Parent Company and non-controlling interests)	**6,350**	**6,323**	**27**
Attributable to shareholders of the Parent Company	4,789	4,743	46
Attributable to non-controlling interests	1,561	1,580	(19)

Millions of euro	at Dec. 31, 2018		
ASSETS	**With IFRS 15**	**Without IFRS 15**	**Change**
Non-current assets			
Property, plant and equipment	76,631	76,631	-
Investment property	135	135	-
Intangible assets	19,014	18,844	170
Goodwill	14,273	14,273	-
Deferred tax assets	8,305	7,229	1,076
Equity investments accounted for using the equity method	2,099	2,099	-
Derivatives	1,005	1,005	-
Non-current contract assets	346	-	346
Other non-current financial assets	5,769	5,769	-
Other non-current assets	1,272	1,272	-
[Total]	**128,849**	**127,257**	**1,592**
Current assets			
Inventories	2,818	2,818	-
Trade receivables	13,587	13,598	(11)
Current contract assets	135	-	135
Tax receivables	660	660	-
Derivatives	3,914	3,914	-
Other current financial assets	5,160	5,160	-
Other current assets	2,983	3,094	(111)
Cash and cash equivalents	6,630	6,630	-
[Total]	**35,887**	**35,874**	**13**
Assets classified as held for sale	**688**	**688**	**-**
TOTAL ASSETS	**165,424**	**163,819**	**1,605**

Millions of euro	at Dec 31, 2018		
LIABILITIES AND SHAREHOLDERS' EQUITY	**With IFRS 15**	**Without IFRS 15**	**Change**
Equity attributable to shareholders of the Parent Company			
Share capital	10,167	10,167	-
Other reserves	1,700	5,326	(3,626)
Retained earnings/(Loss carried forward)	19,853	19,807	46
[Total]	**31,720**	**35,300**	**(3,580)**
Non-controlling interests	**16,132**	**16,707**	**(575)**
Total shareholders' equity	**47,852**	**52,007**	**(4,155)**
Non-current liabilities			
Long-term borrowings	48,983	48,983	-
Employee benefits	3,187	3,187	-
Provisions for risks and charges (non-current portion)	5,181	5,181	-
Deferred tax liabilities	8,650	9,101	(451)
Derivatives	2,609	2,609	-
Non-current contract liabilities	6,306	-	6,306
Other non-current liabilities	1,901	1,985	(84)
[Total]	**76,817**	**71,046**	**5,771**
Current liabilities			
Short-term borrowings	3,616	3,616	-
Current portion of long-term borrowings	3,367	3,367	-
Provisions for risks and charges (current portion)	1,312	1,312	-
Trade payables	13,387	13,404	(17)
Income tax payable	333	333	-
Derivatives	4,343	4,343	-
Current contract liabilities	1,095	-	1,095
Other current financial liabilities	788	788	-
Other current liabilities	12,107	13,196	(1,089)
[Total]	**40,348**	**40,359**	**(11)**
Liabilities included in disposal groups classified as held for sale	**407**	**407**	**-**
Total liabilities	**117,572**	**111,812**	**5,760**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**165,424**	**163,819**	**1,605**

Argentina - hyperinflationary economy: impact of the application of IAS 29

As from July 1, 2018, the Argentine economy has been considered hyperinflationary based on the criteria established by "IAS 29 - Financial reporting in hyperinflationary economies". This designation is determined following an assessment of a series of qualitative and quantitative circumstances, including the presence of a cumulative inflation rate of more than 100% over the previous three years.

For the purposes of preparing the consolidated financial statements and in accordance with IAS 29, certain items of the balance sheets of the investees in Argentina have been remeasured by applying the general consumer price index to historical data in order to reflect changes in the purchasing power of the Argentine peso at the reporting date for those companies.

Bearing in mind that the Enel Group acquired control of the Argentine companies on June 25, 2009, the remeasurement of the non-monetary balance sheet figures was conducted by applying the inflation indices starting from that date. More specifically, the accounting effects of that remeasurement at first-time application of the standard and subsequent remeasurements were recognized as follows:

- the effect of the inflation adjustment until December 31, 2017 of non-monetary assets and liabilities and equity was recognized in equity reserves, net of the associated tax effects;
- the effect of the remeasurement of the same non-monetary items, the components of equity and the components of the income statement recognized in 2018, which was carried out to take account of the change in 2018 in the benchmark price index, was recognized in a specific line of the income statement under financial income and expense. The associated tax effect was recognized in taxes for the period.

In order to also take account of the impact of hyperinflation on the exchange rate of the local currency, the income statement balances expressed in the hyperinflationary currency have been translated into the Group's presentation currency (euro) applying, in accordance with IAS 21, the closing exchange rate rather than the average rate for the period in order to adjust these amounts to current values.

Based on the provisions of IAS 21, paragraph 42.b), it was not necessary to restate for solely comparative purposes the balance sheet and income statement figures for 2017 because the Group's presentation currency is not that of a hyperinflationary economy.

The cumulative changes in the general price indices at December 31, 2017 and December 31, 2018 are shown in the following table:

Periods	**Cumulative change in general consumer price index**
From July 1, 2009 to December 31, 2017	286.50%
From January 1, 2018 to December 31, 2018	47.83%

The initial application of IAS 29 generated a positive adjustment (net of tax effects) recognized in equity reserves in the consolidated financial statements at January 1, 2018 of €574 million, of which €212 million attributable to shareholders of the Parent Company. In addition, during 2018, the application of IAS 29 led to the recognition of net financial income (gross of tax) of €168 million.

The following tables report the effects of IAS 29 on the opening balance sheet at January 1, 2018 and the cumulative hyperinflationary effects at December 31, 2018, as well as the impact of hyperinflation on the main income statement items for 2018, differentiating between that concerning the revaluation on the basis of the general consumer price index and that due to the application of the closing exchange rate rather than the average exchange rate for the period in accordance with the provisions of IAS 21 for hyperinflationary economies.

Millions of euro

	Cumulative hyperinflation effect at Jan. 1, 2018	Hyperinflation effect for the period	Exchange differences	**Cumulative hyperinflation effect at Dec. 31, 2018**
Total assets	**763**	357	(355)	**765**
Total liabilities	**189**	97	(89)	**197**
Shareholders' equity	**574**	260 (1)	(266)	**568**

(1) The figure includes net income for 2018, equal to €44 million.

Millions of euro	IAS 29 effect	IAS 21 effect	Total effect
Revenue	237	(338)	(101)
Costs	235 [1]	(272) [2]	(37)
Operating income	**2**	**(66)**	**(64)**
Net financial income/(expense)	(18)	3	(15)
Net income/(expense) from hyperinflation	168	-	168
Income before taxes	**152**	**(63)**	**89**
Income taxes	108	(28)	80
Net income for the year (shareholders of the Parent Company and non-controlling interests)	**44**	**(35)**	**9**
Attributable to shareholders of the Parent Company	25	(9)	16
Attributable to non-controlling interests	19	(26)	(7)

(1) Includes impact on depreciation, amortization and impairment losses of €58 million.
(2) Includes impact on depreciation, amortization and impairment losses of €(23) million.

5

Restatement of comparative disclosures

The figures presented in the comments and tables of the notes to the financial statements are consistent and comparable between 2017 and 2018. No restatements of the comparative disclosures were required, taking due account of the fact that the new standards discussed above (IFRS 15 and IFRS 9) were introduced mainly with simplified retroactive application using a "cumulative catch-up adjustment" and that in the case of retroactive application of the separation of the forward component and the currency basis spreads relating to forward contracts we did not modify the consolidated financial statements as the impact was entirely immaterial and merely involved a simple reclassification between equity reserves.

6

Main changes in the scope of consolidation

In the two periods under review, the scope of consolidation changed as a result of a number of transactions.

2017

- Acquisition, on January 10, 2017, of 100% of **Demand Energy Networks**, a company headquartered in the United States specialized in software solutions and smart electricity storage systems;
- acquisition, on February 10, 2017, of 100% of **Más Energía**, a Mexican company operating in the renewable energy sector;
- acquisition, on February 14, 2017, and May 4, 2017, of 94.84% and 5.04% respectively (for a total of 99.88%) of **Enel Distribuição Goiás (formerly CELG-D)**, an electricity distribution company operating in the Brazilian state of Goiás;
- acquisition, on May 16, 2017, of 100% of **Tynemouth Energy Storage**, a British company operating in the electricity storage sector;
- acquisition, on June 4, 2017, of 100% of **Amec Foster Wheeler Power (now Enel Green Power Sannio)**, a company that owns two wind plants in the province of Avellino;
- acquisition, on August 10, 2017, of 100% of the **EnerNOC**

Group following the acceptance of the Enel Green Power North America ("EGPNA") offer to the previous shareholders;

- acquisition, on October 25, 2017, of 100% of **eMotorWerks**, a US company operating in electric mobility management systems;
- disposal, in December 2017, by Enel Green Power North America using a cash equity agreement, of 80% of the Class A securities of the subsidiary **EGPNA Rocky Caney Wind**. The total price in the transaction was $233 million, generating a capital gain of €4 million.

2018

- Disposal, on March 12, 2018, of 86.4% of **Erdwärme Oberland GmbH**, a company developing geothermal plants headquartered in Germany. The total transaction price was €0.9 million, with a realized capital gain of €1 million;
- acquisition, on April 2, 2018, of 33.6% of the minority interests in **Enel Generación Chile**, enabling Enel Chile to increase its stake in Enel Generación Chile to 93.55%. In addition, on that date the merger of the renewables company Enel Green Power Latin America SA into Enel Chile took effect;
- acquisition, formalized on April 3, 2018, acting through Enel Green Power España, of 100% of **Parques Eólicos Gestinver SLU** and **Parques Eólicos Gestinver Gestión SLU** for €57 million, of which €15 million of existing debt assumed. See note 6.1 for more information;
- acquisition, on June 7, 2018, by Enel Sudeste of control of the Brazilian distribution company **Enel Distribuição São Paulo** (formerly Eletropaulo Metropolitana Eletricidade de São Paulo SA) following initial participation of shareholders. The tender for 100% of the shares ended on July 4, 2018. At September 30, 2018, the company was consolidated on the basis of a 95.88% holding by the Group in view of the circumstances detailed further later in these notes;
- acquisition, on July 25, 2018, acting through the subsidiary Endesa Red, of 94.6% of **Empresa de Alumbrado Eléctrico de Ceuta SA**, a company operating in the distribution and sale of electricity in the autonomous city of Ceuta in North Africa. See note 6.3 for more information;
- disposal, on September 28, 2018, to Caisse de Dépôt et Placement du Québec ("CDPQ"), a long-term institutional investor, and CKD Infraestructura México SA de Cv ("CKD IM"), the investment vehicle of leading Mexican pension funds, of 80% of eight special purpose vehicles that own eight plants in operation or under construction in Mexico. Following the close of the transaction, Enel Green Power SpA holds 20% of their share capital, meaning that the companies are now accounted for using the equity method. For more information on the financial impact of the disposal, please see note 6.5 of the consolidated financial statements;
- disposal, on October 18, 2018, by Enel Green Power SpA of the biomass generation plant of Finale Emilia. The total price in the transaction was €59 million;
- disposal, on December 14, 2018, by Enel Green Power SpA of its wholly owned subsidiary **Enel Green Power Uruguay SA**, which in turn owns the vehicle **Estrellada SA** of the 50 MW Melowind wind farm at Cerro Largo. The total price in the transaction was $120 million.

In addition to the above changes in the scope of consolidation, note the following transactions, which although they do not represent transactions involving the acquisition or loss of control, gave rise to a change in the interest held by the Group in the investees:

- a corporate reorganization in Chile with the "Elqui" operation, which involved the acquisition of non-controlling interests in Enel Generación Chile to achieve a direct holding of 93.55% through Enel Chile (the previous interest was 59.98%), a reduction of the interest held in Enel Green Power Chile, which went from 100% to 61.93% at the Group level, following the merger of Enel Green Power Latin America SA into Enel Chile, and an increase in the overall stake in Enel Chile from 60.62% to 61.93%. Subsequent sections discuss the transaction in greater detail;
- on July 3, 2018 Enel, acting through Enel X International, finalized the acquisition from a holding company controlled by Sixth Cinven Fund (a fund managed by the international private equity firm Cinven) for an investment of €150 million of about 21% of a vehicle company ("Zacapa Topco Sàrl"), to which 100% of Ufinet International was transferred. Ufinet is a leading wholesale fiber optic network operator in South America. Sixth Cinven Fund in turn holds 79% of Zacapa Topco Sàrl;
- on December 27, 2018, Enel Green Power SpA sold its 50% stake in the EF Solare Italia SpA ("EFSI") joint venture, held through Marte Srl, a wholly owned subsidiary of Enel Green Power, to the other partner of the joint venture, F2i SGR SpA ("F2i"), for €214 million. Under the

terms of the sales agreement, EFSI, which purchases and operates solar plants in operation in Italy, was assigned an enterprise value of about €1.3 billion, of which about €430 million in equity and around €900 million in debt. The sale produced a capital gain of €65 million;

- in December 2018, Enel SpA increased its stake in Enel Américas by 2.43% under the provisions of the two share swap contracts signed with a financial institution in order to increase the stake in Enel Américas up to a maximum of 5%.

6.1 Acquisition of Parques Eólicos Gestinver

On April 3, 2018, Enel Green Power España ("EGPE") completed the acquisition of 100% of Parques Eólicos Gestinver SL, a company that owns five wind plants with a total capacity of about 132 MW.

The acquisition involved a cash outlay of €57 million.

The following table reports the definitive fair values of the net assets acquired:

Determination of goodwill

Millions of euro	Amounts recognized at April 3, 2018
Property, plant and equipment	139
Intangible assets	34
Deferred tax assets	8
Trade receivables	5
Other current assets	2
Cash and cash equivalents	11
Borrowings	(116)
Deferred tax liabilities	(9)
Other non-current liabilities	(11)
Provisions for risks and charges	(2)
Trade payables	(1)
Other current liabilities	(3)
Net assets acquired	**57**
Cost of the acquisition	**57**
(of which paid in cash)	*57*
Goodwill	-

Parques Eólicos Gestinver contributed €16 million in revenue and €6 million in operating income to results for 2018.

6.2 Acquisition of Enel Distribuição São Paulo (formerly Eletropaulo Metropolitana Eletricidade de São Paulo SA)

On June 4, 2018 Enel, acting through Enel Brasil Investimentos Sudeste ("Enel Sudeste"), acquired control of the Brazilian distribution company Eletropaulo Metropolitana Eletricidade de São Paulo SA, which following the acquisition was renamed Enel Distribuição São Paulo.

The acquisition of control came after a public tender offer launched on April 17 at a price of 45.22 Brazilian reais per share. At June 4, 2018, that company's shareholders had tendered 73.38% of the share capital. On June 7, 2018 the shares were transferred.

Under Brazilian stock exchange rules, Enel Distribuição São Paulo shareholders could also accept the offer in the following 30 days (until July 4, 2018). During that period, Enel Sudeste acquired an additional 33,359,292 shares of Enel Distribuição São Paulo, equal to 19.9% of the share capital. The overall interest acquired by Enel Sudeste therefore rose to 93.31% of Enel Distribuição São Paulo, which increases to 95.05% given that Enel Distribuição São Paulo holds 3,058,154 treasury shares.

Enel Distribuição São Paulo was consolidated in the consolidated financial statements at December 31, 2018 at 95.88% as the final outcome of the tender was known as of that date.

The total cost of the acquisition of €1,541 million was paid entirely in cash.

At December 31, 2018, the company had completed the allocation of the acquisition price, definitively determining the fair value of the assets acquired and the liabilities assumed.

The main adjustments with respect to the carrying amount are essentially attributable to the recognition of intangible assets (in particular relating to concession rights) and the related tax effects.

In view of the characteristics of the concession arrangements under which it operates, the distribution activity performed by the company falls within the scope of application of IFRIC 12:

Determination of goodwill

Millions of euro

Net assets acquired before allocation [(1)]	**343**
Adjustments from allocation of purchase price:	
- intangible assets	1,443
- deferred tax liabilities	(490)
- liabilities for risks and charges	(252)
- other adjustments	71
- non-controlling interests	(40)
Net assets acquired after allocation	**1,075**
Cost of the acquisition	**1,541**
Goodwill	466

(1) Net assets in proportion to Enel's stake of 95.88%.

In particular, as part of the purchase price allocation process, and more specifically the identification and measurement of the assets acquired, the current concession rights for the distribution of electricity as well as their renewal for a further concession period were taken into account, applying the assumptions provided for by IAS 38 (recognition of an intangible asset acquired as part of a business combination). Amortization of that intangible asset will not begin until the start of the concession period to which it refers.

Accordingly, the accounting situation at the acquisition date after the final allocation of the price is as follows:

Accounts of Enel Distribuição São Paulo at the acquisition date

Millions of euro	Carrying amount before June 7, 2018	Adjustments for purchase price allocation	Amounts recognized at June 7, 2018
Property, plant and equipment	14	-	14
Investment property	10	-	10
Intangible assets	968	1,443	2,411
Deferred tax assets	611	93	704
Other non-current assets	932	-	932
Trade receivables	828	-	828
Inventories	66	(5)	61
Other current assets	179	(10)	169
Cash and cash equivalents	226	-	226
Borrowings	(1,018)	(7)	(1,025)
Employee benefits	(725)	-	(725)
Deferred tax liabilities	(165)	(490)	(655)
Other non-current liabilities	(123)	-	(123)
Provisions for risks and charges	(522)	(252)	(774)
Trade payables	(377)	-	(377)
Other current liabilities	(544)	-	(544)
Non-controlling interests	(17)	(40)	(57)
Net assets acquired	**343**	**732**	**1,075**
Cost of the acquisition	**1,541**	**-**	**1,541**
Goodwill	1,198	(732)	466

Enel Distribuição São Paulo contributed €2,076 million in revenue and €117 million in operating income to 2018 results. The acquisition of Enel Distribuição São Paulo entailed a cash outflow of €1,541 million and the assumption of net financial debt of €731 million.

6.3 Acquisition of Empresa de Alumbrado Eléctrico de Ceuta

On July 25, 2018, Endesa Red finalized the acquisition of 94.6% of Empresa de Alumbrado Eléctrico de Ceuta SA, a company operating in the distribution and sale of electricity in the autonomous city of Ceuta in North Africa. The acquisition provided for a cash outlay of €83 million.

The following table reports the definitive fair values of the net assets acquired:

Determination of goodwill

Millions of euro	Amounts recognized at July 25, 2018
Property, plant and equipment	65
Investment property	4
Intangible assets	14
Trade receivables	3
Other current assets	2
Cash and cash equivalents	2
Current portion of long-term financial receivables	1
Deferred tax liabilities	(5)
Other non-current liabilities	(15)
Other employee benefits	(1)
Trade payables	(2)
Other current liabilities	(3)
Non-controlling interests	(2)
Net assets acquired	**63**
Cost of the acquisition	**84**
(of which paid in cash)	*83*
Goodwill	21

Empresa de Alumbrado Eléctrico de Ceuta SA contributed €17 million in revenue and €1 million in operating income to 2018 results. The acquisition entailed a cash outflow of €83 million, while at the time of the acquisition the company held liquid assets and financial receivables of €3 million.

6.4 Other minor acquisitions

Determination of goodwill

Millions of euro	EPM Eólica Dolores	Energía Limpia de Puerto Libertad	Minor acquisitions EGPE
Net assets acquired	**-**	**-**	**5**
Cost of the acquisition	**5**	**7**	**5**
(of which paid in cash)	*4*	*7*	*5*
Goodwill	5	7	-

For the other minor acquisitions the Group will identify the fair value of the assets acquired and the liabilities assumed within 12 months of the acquisition date.

6.5 Disposal of stake in eight special purpose vehicles owning renewable generation plants in Mexico

On September 28, 2018, acting through its subsidiary Enel Green Power SpA ("EGP"), Enel finalized the disposal of 80% of eight special purpose vehicles ("SPVs") owning plants in operation and under construction in Mexico with a total capacity of 1.8 GW.

The Group continues to own 20% of the capital of the SPVs and EGP SpA will continue to operate the plants owned by the vehicle companies.

The disposal involved a total price of €329 million, which net of transaction costs of €13 million produced a transaction value of €316 million.

The gain on the disposal amounted to €150 million. Furthermore, under the provisions of the relevant accounting standards, the fair value of the non-controlling interest retained was remeasured, with a gain of €40 million.

Millions of euro	
Value of the transaction	329
Net assets sold	(168)
Transaction costs	(13)
Reversal of OCI reserve	2
Capital gain	**150**
Remeasurement at fair value of non-controlling interest retained	40
Total impact on profit or loss	**190**

6.6 Corporate reorganization in Chile - "Elqui" operation

As part of the Group's strategic simplification plan, during the 1st Half of 2018 the reorganization of equity investments was begun with the aim of reducing the number of operating companies in South America.

To this end, on March 26, Enel successfully completed the tender offer launched by Enel Chile for all of the shares of the subsidiary Enel Generación Chile held by the non-controlling shareholders of the latter, with which Enel Chile acquired about 33.6% of the capital of Enel Generación Chile, thus increasing its stake in that company to 93.55%.

The transaction was finalized on April 2, 2018, with the price settled 60% in cash and 40% in Enel Chile shares.

On the same date, the merger of the renewables company Enel Green Power Latin America SA into Enel Chile and a capital increase at the latter to serve the merger took effect.

Also on the same date, the shareholders of Enel Chile who exercised their right of withdrawal as a result of that merger were paid the value of their shares.

At the level of the Enel Group, the combined effect of the two transactions led to a 1.31% increase in the Group's interest in Enel Chile, which rose from 60.62% to 61.93%.

As the operation is a transaction in non-controlling interests and does not fall within the scope of application of IFRS 3, the transaction resulted in a reduction in non-controlling interests, with a negative impact on the non-controlling interest reserve of €506 million against a total outlay of €1,406 million.

7

Segment information

The representation of performance and financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods being compared.

For more information on performance and financial developments during the year, please see the dedicated section in the Report on operations.

Segment information for 2018 and 2017

Results for 2018 [1]

Millions of euro	Italy	Iberia	South America	Europe and Euro-Mediterranean Affairs	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	**Total**
Revenue from third parties	37,411	19,413	14,687	2,349	1,438	100	274	75,672
Revenue from transactions with other segments	987	79	55	12	-	1	(1,134)	-
Total revenue	**38,398**	**19,492**	**14,742**	**2,361**	**1,438**	**101**	**(860)**	**75,672**
Total costs	31,504	15,998	10,374	1,844	738	47	(701)	59,804
Net income/(expense) from commodity contracts measured at fair value	410	64	2	(1)	8	-	-	483
Depreciation and amortization	1,767	1,684	1,261	193	245	40	24	5,214
Impairment losses	1,058	401	134	51	9	4	-	1,657
Reversals of impairment losses	(19)	(251)	(1)	(148)	-	-	(1)	(420)
Operating income	**4,498**	**1,724**	**2,976**	**420**	**454**	**10**	**(182)**	**9,900**
Capital expenditure	**2,479** [2]	**1,433**	**2,246**	**390**	**1,373** [3]	**142**	**89**	**8,152**

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €3 million regarding units classified as "held for sale".
(3) Does not include €375 million regarding units classified as "held for sale".

Results for 2017 [1]

Millions of euro	Italy	Iberia	South America	Europe and Euro-Mediterranean Affairs	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	Total
Revenue from third parties	37,900	19,940	13,126	2,374	1,185	96	18	74,639
Revenue from transactions with other segments	881	54	28	37	2	-	(1,002)	-
Total revenue	**38,781**	**19,994**	**13,154**	**2,411**	**1,187**	**96**	**(984)**	**74,639**
Total costs	32,455	16,434	8,976	1,868	430	39	(638)	59,564
Net income/(expense) from commodity contracts measured at fair value	537	13	26	-	2	-	-	578
Depreciation and amortization	1,769	1,562	1,149	189	202	40	20	4,931
Impairment losses	626	461	134	83	4	2	1	1,311
Reversals of impairment losses	(2)	(292)	(49)	(35)	-	-	(3)	(381)
Operating income	**4,470**	**1,842**	**2,970**	**306**	**553**	**15**	**(364)**	**9,792**
Capital expenditure	**1,812**	**1,105**	**3,002**	**307** [2]	**1,802** [3]	**30**	**72**	**8,130**

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €44 million regarding units classified as "held for sale".
(3) Does not include €325 million regarding units classified as "held for sale".

Financial position by segment

At December 31, 2018

Millions of euro	Italy	Iberia	South America	Europe and Euro-Mediterranean Affairs	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	Total
Property, plant and equipment	26,295	23,750	17,387	3,218	5,745	784	64	77,243
Intangible assets	1,822	15,857	13,932	781	750	106	67	33,315
Non-current and current contract assets	115	12	337	-	24	-	(7)	481
Trade receivables	7,885	2,162	3,766	379	276	33	(890)	13,611
Other	2,864	1,784	1,387	165	324	35	(201)	6,358
Operating assets	**38,981** [1]	**43,565**	**36,809** [2]	**4,543**	**7,119**	**958**	**(967)**	**131,008**
Trade payables	7,385	2,658	3,074	391	802	90	(1,011)	13,389
Non-current and current contract liabilities	4,204	2,797	12	405	4	-	(21)	7,401
Sundry provisions	2,504	3,537	2,956	90	56	22	516	9,681
Other	5,550	2,578	2,867	236	915	84	704	12,934
Operating liabilities	**19,643**	**11,570**	**8,909** [3]	**1,122**	**1,777**	**196**	**188**	**43,405**

(1) Of which €4 million regarding units classified as "held for sale".
(2) Of which €663 million regarding units classified as "held for sale".
(3) Of which €22 million regarding units classified as "held for sale".

At December 31, 2017

Millions of euro	Italy	Iberia	South America	Europe and Euro-Mediterranean Affairs	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	**Total**
Property, plant and equipment	25,935	23,783	17,064	3,052	5,800	749	54	76,437
Intangible assets	1,358	15,662	11,857	731	838	115	34	30,595
Trade receivables	10,073	2,340	2,432	337	193	29	(856)	14,548
Other	3,033	1,697	954	194	377	10	(308)	5,957
Operating assets	**40,399** (1)	**43,482**	**32,307**	**4,314** (2)	**7,208** (3)	**903**	**(1,076)**	**127,537**
Trade payables	6,847	2,738	2,790	426	782	60	(837)	12,806
Sundry provisions	2,843	3,592	1,325	101	29	20	527	8,437
Other	7,170	3,225	2,451	297	254	74	(244)	13,227
Operating liabilities	**16,860**	**9,555**	**6,566**	**824** (4)	**1,065** (5)	**154**	**(554)**	**34,470**

(1) Of which €4 million regarding units classified as “held for sale”.
(2) Of which €141 million regarding units classified as “held for sale”.
(3) Of which €1,675 million regarding units classified as “held for sale”.
(4) Of which €74 million regarding units classified as “held for sale”.
(5) Of which €145 million regarding units classified as “held for sale”.

The following table reconciles segment assets and liabilities and the consolidated figures.

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017
Total assets	**165,424**	**155,641**
Equity investments accounted for using the equity method	2,099	1,598
Other non-current financial assets	5,769	4,002
Long-term tax receivables included in “Other non-current assets”	231	260
Current financial assets	5,160	4,614
Derivatives	4,919	3,011
Cash and cash equivalents	6,630	7,021
Deferred tax assets	8,305	6,354
Tax receivables	1,282	1,094
Financial and tax assets of “Assets held for sale”	21	150
Segment assets	**131,008**	**127,537**
Total liabilities	**117,572**	**103,480**
Long-term borrowings	48,983	42,439
Short-term borrowings	3,616	1,894
Current portion of long-term borrowings	3,367	7,000
Current financial liabilities	788	954
Derivatives	6,952	5,258
Deferred tax liabilities	8,650	8,348
Income tax payable	333	284
Other tax payables	1,093	1,323
Financial and tax liabilities of “Liabilities held for sale”	385	1,510
Segment liabilities	**43,405**	**34,470**

Revenue

8.a Revenue from sales and services - *€73,134 million*

Millions of euro

	2018	2017	Change	
Sale of electricity	43,110	43,433	(323)	-0.7%
Transport of electricity	10,101	9,973	128	1.3%
Fees from network operators	1,012	900	112	12.4%
Transfers from institutional market operators	1,711	1,635	76	4.6%
Sale of gas	4,401	3,964	437	11.0%
Transport of gas	576	570	6	1.1%
Sale of fuel	8,556	8,340	216	2.6%
Connection fees to electricity and gas networks	714	800	(86)	-10.8%
Construction contracts	735	674	61	9.1%
Sale of environmental certificates	497	566	(69)	-12.2%
Sale of value-added services	390	42	348	-
Other sales and services	1,331	1,767	(436)	-24.7%
Total	**73,134**	**72,664**	**470**	**0.6%**

In 2018, revenue from the "Sale of electricity" came to €43,110 million (€43,433 million for 2017), including €32,497 million in revenue from electricity sales to end users (€31,419 million for 2017), €8,276 million in revenue from wholesale electricity sales (€8,819 million for 2017), and €2,337 million in revenue from the trading of electricity (€3,195 million for 2017). The reduction in revenue from the sale of electricity (€323 million) is attributable to:

- the reduction in revenue from trading (€858 million), essentially due to the contraction in volumes traded by Enel Global Trading;
- the decrease in revenue from wholesale electricity sales (€543 million), mainly deriving from the reduction in volumes sold by Enel Global Trading and Enel Produzione, which was partially offset by the increase in energy sales by Enel Green Power SpA and Enel Américas;
- the increase in revenue from electricity sales to end users (€1,078 million), related above all to the increase in revenue from the sale of electricity on the regulated market (€931 million) mainly by Enel Américas due to the change in the scope of consolidation following the acquisition of Enel Distribuição São Paulo, as well as the increase in revenue from the sale of electricity on the free market (€166 million) mainly due to increased sales in Italy, Romania and South America, partially offset by the reduction in sales of electricity in Iberia.

Revenue from the "Transport of electricity" came to €10,101 million in 2018, an increase of €128 million. This includes revenue for the transport of electricity to end users on the regulated market in the amount of €2,955 million (€3,042 million in 2017) and on the free market in the amount of €2,280 million (€2,132 million in 2017), as well as revenue from the transport of electricity to other operators in the amount of €4,866 million (€4,799 million in 2017). This increase is mainly attributable to Enel Américas, following the acquisition of Enel Distribuição São Paulo, to Enel Energia in relation to the increase in volumes sold, and to e-distribuzione in relation to rates and equalization mechanisms. These effects were partially offset by the decrease in Italy due to lower revenue from transport on the regulated market, in line with the reduction in quantities sold and in the number of customers served.

Revenue related to "Fees from network operators" came to €1,012 million, up €112 million compared with the previous year. The increase is mainly attributable to the increase in fees for the remuneration of generation plants in Italy falling within the scope of plants essential to the electrical system in order to ensure adequate standards of safe operations.

In 2018, revenue related to "Transfers from institutional market operators" came to €1,711 million, up €76 million compared with the previous year. This increase essentially refers to the Spanish companies, in the amount of €104 million, in relation to the greater fees received for costs incurred to ensure the generation of electricity in the extra-peninsular area. This effect was partially offset by the reduction in revenue from grants received for the generation of renewable energy, by Enel Green Power SpA in the amount of €25 million, due to the expiration of incentives for certain geothermal and hydroelectric plants.

Revenue from the "Sale of gas" for 2018, which totaled €4,401 million (€3,964 million in 2017), increased by €437 million over the previous year. This increase was essentially affected by higher revenue in Iberia (€296 million), in Italy (€43 million), and in South America (€76 million) due to the increase in quantities sold within a context of rising average prices compared with the previous year.

Revenue from the "Sale of fuel" amounted to €8,556 million, an increase of €216 million related mainly to the sale of gas. In 2018, this included the sale of natural gas, in the amount of €8,509 million (€8,291 million in 2017) and €47 million for the sale of other fuels (€49 million in 2017). The increase mainly refers to natural gas sales by Enel Global Trading.

"Connection fees to electricity and gas networks" amounted to €714 million, a decrease of €86 million compared with the previous year. This reduction mainly refers to the Endesa Group (€112 million), Servizio Elettrico Nazionale (€107 million), and Enel Energia (€104 million), and was partially offset by an increase in revenue for e-distribuzione (€278 million). The decrease in this item was mainly due to application of IFRS 15, which, for the companies that sell electricity, resulted in the recognition of only those fees pertaining to the seller, assigning the classification of "agent" to the seller for the share of fees pertaining to the distributor. For the electricity distribution companies, on the other hand, this led to the recognition, as at January 1, of the retroactive reclassification of connection fees and recognition of a liability deriving from contracts with customers and a corresponding entry in shareholders' equity, and in 2018 the release to profit or loss of the portion of this liability pertaining to the period for the fees subject to reclassification and relating to new "over time" connections made in 2018 was recognized.

Revenue from "Construction contracts" amounted to €735 million, an increase of €61 million, particularly in South America.

Revenue from the "Sale of environmental certificates" amounted to €497 million, a decrease of €69 million, mainly in Italy.

Revenue from the "Sale of value-added services" amounted to €390 million, an increase of €348 million, mainly attributable to Enel X North America in relation to value-added services, primarily demand-response services. Enel X North America provides these services as an aggregator of commercial and industrial consumers who agree to balance their consumption based on the needs of the grid, renouncing their consumption at times of peak demand in exchange for contractually defined remuneration.

Revenue from "Other sales and services" amounted to €1,331 million, a decrease of €436 million. This change mainly refers to the reduction in other sales and services, which was partially offset by an increase in revenue from leased plant connected to the electricity business in South America and from the tax partnerships recognized in the previous year (€352 million). Following substantial contractual changes, the tax partnerships relating to new projects are now recognized under "Other revenue" (see note 8.b).

Revenue for 2018, which totaled €73,134 million, refers almost entirely to revenue from customer contracts, as defined by IFRS 15, and the associated performance obligation is mainly satisfied over time.

The following table shows a breakdown of point-in-time and over-time revenue for the current year.

Millions of euro	2018															
	Italy		Iberia		South America		Europe and Euro-Mediterranean Affairs		North and Central America		Africa, Asia and Oceania		Other, eliminations and adjustments		**Total**	
	Over time	Point in time	Over time	Point in time	Over time	Point in time	Over time	Point in time	Over time	Point in time	Over time	Point in time	Over time	Point in time	Over time	Point in time
Revenue	**35,153**	**828**	**18,228**	**1,037**	**14,140**	**298**	**1,247**	**1,030**	**651**	**396**	**14**	**81**	**25**	**6**	**69,458**	**3,676**

The table below gives a breakdown of revenue from sales and services by geographical area.

Millions of euro	**2018**	2017
Italy	**27,492**	**27,935**
Europe		
Iberia	18,368	19,032
France	1,006	1,333
Switzerland	1,039	135
Germany	2,297	2,244
Austria	155	290
Slovenia	27	39
Slovakia	-	54
Romania	1,214	1,067
Greece	62	58
Bulgaria	9	9
Belgium	320	46
Czech Republic	113	-
Hungary	399	472
Russia	989	1,128
Netherlands	2,139	4,063
United Kingdom	1,685	648
Other European countries	113	82
Americas		
United States	466	693
Canada	23	-
Mexico	520	359
Brazil	6,518	4,687
Chile	3,169	3,473
Peru	1,275	1,167
Colombia	2,242	2,103
Argentina	1,265	1,364
Other South American countries	14	14
Other		
Africa	82	79
Asia	133	90
Total	**73,134**	**72,664**

8.b Other revenue and income - *€2,538 million*

Millions of euro

	2018	2017	Change	
Operating grants	20	40	(20)	-50.0%
Grants for environmental certificates	664	878	(214)	-24.4%
Capital grants (electricity and gas business)	22	21	1	4.8%
Sundry reimbursements	353	361	(8)	-2.2%
Gains on the disposal of subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	287	159	128	80.5%
Gains on the disposal of property, plant and equipment and intangible assets	61	43	18	41.9%
Service continuity bonuses	44	66	(22)	-33.3%
Other revenue	1,087	407	680	-
Total	**2,538**	**1,975**	**563**	**28.5%**

"Grants for environmental certificates" amounted to €664 million, a decrease of €214 million compared with the previous year due essentially to the reduction in grants for energy efficiency certificates, in the amount of €197 million, and a reduction in grants for green certificates in the amount of €17 million.

"Sundry reimbursements" amounted to €353 million and concern reimbursements from customers and suppliers totaling €238 million (€165 million in 2017) and insurance indemnities in the amount of €115 million (€196 million in 2017).

The item relating to gains on the disposal of companies came to €287 million in 2018, an increase of €128 million compared with 2017, and mainly includes:

- the gain on the sale, with loss of control, of eight project companies in Mexico at the end of September 2018 and the associated remeasurement at fair value of the 20% stake retained in the companies sold (€190 million);
- the gain on the sale of EF Solare Italia SpA (€65 million);
- the gain on the sale of a number of companies of the Enel Green Power Business Line in Uruguay (€18 million).

In 2017, on the other hand, this item mainly included the gain of €143 million deriving from the sale of the investment in the Chilean company Electrogas.

"Gains on the disposal of property, plant and equipment and intangible assets" in 2018 amounted to €61 million (€43 million in 2017) and refer to ordinary disposals for the period.

"Other revenue" amounted to €1,087 million (€407 million in 2017), an increase of €680 million from the previous year. This increase is mainly attributable to:

- the increase in other revenue related to the electricity business due to the recognition of gains in the amount of €146 million relating to the reimbursement by the Energy and Environmental Services Fund (CSEA) of system charges paid and not collected pursuant to Regulatory Authority for Energy, Networks and Environment (ARERA) Resolution 50/2018/R/eel;
- the increase in gains due to the recognition of €128 million related to the agreement that e-distribuzione reached with F2i and 2i Rete Gas for the early lump-sum liquidation connected with the sale of the equity investment in Enel Rete Gas;
- revenue from tax partnerships recognized on new projects completed in 2018 (€361 million), which were previously classified as revenue from "Other sales and services", following changes in the business model, which prompted the amendment of contractual language.

The following table shows a breakdown of total revenue from sales and services and of other revenue and income by business area based on the approach used by management to monitor the Group's performance during the two years being compared.

Millions of euro	2018							
	Italy	Iberia	South America	Europe and Euro-Mediterranean Affairs	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	**Total**
Revenue from sales and services	35,981	19,265	14,438	2,277	1,047	95	31	73,134
Other revenue and income	1,430	148	249	72	391	5	243	2,538
Total revenue	**37,411**	**19,413**	**14,687**	**2,349**	**1,438**	**100**	**274**	**75,672**
	2017							
Revenue from sales and services	36,663	19,825	12,766	2,264	1,044	93	9	72,664
Other revenue and income	1,237	115	360	110	141	3	9	1,975
Total revenue	**37,900**	**19,940**	**13,126**	**2,374**	**1,185**	**96**	**18**	**74,639**

Costs

9.a Electricity, gas and fuel purchases - *€35,728 million*

Millions of euro

	2018	2017	Change	
Electricity	19,584	20,011	(427)	-2.1%
Gas	12,944	12,654	290	2.3%
Nuclear fuel	118	137	(19)	-13.9%
Other fuels	3,082	3,237	(155)	-4.8%
Total	**35,728**	**36,039**	**(311)**	**-0.9%**

Purchases of "Electricity" totaled €19,584 million in 2018, decreasing by €427 million compared with 2017 (€20,011 million). These costs include purchases made by way of bilateral agreements on national and international markets in the amount of €12,337 million (€12,573 million in 2017), electricity purchases on the electricity exchanges in the amount of €7,083 million (€7,168 million in 2017), and other purchases made on local and international markets totaling €164 million (€270 million on 2017).

The reduction in costs is attributable to the reduction in purchases made through bilateral agreements (€236 million) mainly relating to the reduction in volumes traded by Enel Global Trading, associated with a reduction in purchases both on other local and foreign markets in the amount of €106 million and on the electricity exchanges in the amount of €85 million. These effects were partially offset by the increase in electricity purchases in South America following the consolidation of Enel Distribuição São Paulo.

Purchases of "Gas" posted an increase of €290 million due to the increase in the prices of long-term and spot contracts incurred by Italian companies.

Purchases of "Other fuels" decreased by €155 million to €3,082 million in 2018, due primarily to the decline in the volume of electricity output by Enel Produzione. Furthermore, starting on January 1, 2018, the results of the cash flow hedge derivative contracts established to hedge the purchase prices of coal were recognized using the basis-adjustment approach as required by "IFRS 9 - Financial instruments". As a result, these results (a positive €43 million) have not been classified as net income/(expense) from commodity contracts measured at fair value, but have been recognized under fuel purchases, with an impact on the change in inventories.

9.b Services and other materials - *€18,870 million*

Millions of euro

	2018	2017	Change	
Transmission and transport	9,754	9,840	(86)	-0.9%
Maintenance and repairs	1,013	1,128	(115)	-10.2%
Telephone and postal costs	180	199	(19)	-9.5%
Communication services	129	127	2	1.6%
IT services	773	627	146	23.3%
Leases and rentals	589	525	64	12.2%
Other services	4,057	3,656	401	11.0%
Other materials	2,375	1,880	495	26.3%
Total	**18,870**	**17,982**	**888**	**4.9%**

Costs for services and other materials amounted to €18,870 million in 2018, an increase on 2017 of €888 million. The reduction of €86 million in costs for transmission and transport and of €115 million in maintenance and repairs was offset, above all, by the significant increase in costs for other services (€401 million) and other materials (€495 million).

The increase in costs for other services was seen, in particular, in South and North America in relation to the consolidation of Enel Distribuição São Paulo in 2018 and of Enel X North America (formerly EnerNOC) starting from the 2nd Half of 2017. This increase was partially offset by the reduction in costs related to the acquisition of customers in the amount of €220 million, which are capitalized in accordance with the new IFRS 15.

The increase in costs for other materials, on the other hand, was concentrated in Italy and Spain for the purchase of materials and equipment for work on infrastructure and networks, as well as for the increase in costs for environmental certificates (€179 million) for generation in Italy and for the sales companies in Romania.

Costs for IT services also increased, by €146 million, mainly in Italy and Spain, as did costs for leases and rentals in relation to an increase in hydroelectric lease payments incurred in Spain following a greater use of hydroelectric production (€52 million).

9.c Personnel - *€4,581 million*

Millions of euro

	2018	2017	Change	
Wages and salaries	3,157	3,152	5	0.2%
Social security contributions	894	895	(1)	-0.1%
Deferred compensation benefits	103	104	(1)	-1.0%
Other post-employment and long-term benefits	113	139	(26)	-18.7%
Early retirement incentives	138	76	62	81.6%
Other costs	176	138	38	27.5%
Total	**4,581**	**4,504**	**77**	**1.7%**

Personnel costs amounted to €4,581 million in 2018, an increase of €77 million.

The Group's workforce increased by 6,372 employees despite the negative balance of new hires and terminations (1,332 employees) due to early-retirement incentives, reflecting changes in the scope of consolidation (7,704 employees) essentially attributable to:

- the acquisition of Enel Distribuição São Paulo in Brazil in June;

- the acquisition of the YouSave business unit in Italy in July;
- the acquisition of Empresa de Alumbrado Eléctrico de Ceuta and Empresa de Alumbrado Eléctrico de Ceuta Distribución in Spain in August;
- the sale of Enel Green Power Uruguay in December.

The increase in wages and salaries essentially reflects the increase in the average workforce in 2018.
Early retirement incentives in 2018 amounted to €138 million, up €62 million, mainly in Spain (€40 million), for the "*Plan de Salida*" incentive plan, and in Italy for terminations pursuant to the provisions of Article 4 of Law 92/2012 (the "Fornero Act").

The table below shows the average number of employees by category, along with a comparison with the previous year, as well as the actual numbers as of December 31, 2018.

No.

	Average number (1)			Headcount (1)
	2018	2017	Change	**at Dec. 31, 2018**
Senior managers	1,343	1,308	35	1,346
Middle managers	10,614	10,073	541	10,985
Office staff	33,906	32,558	1,348	34,710
Blue collar	20,834	18,956	1,878	22,231
Total	**66,697**	**62,895**	**3,802**	**69,272**

(1) For companies consolidated proportionately, the headcount corresponds to Enel's percentage share of the total.

9.d Net impairment/(reversals) of trade receivables and other receivables - *€1,096 million*

Millions of euro

	2018	2017	Change	
Impairment of trade receivables	1,367	-	1,367	-
Impairment of other receivables	18	-	18	-
Total impairment of trade and other receivables	**1,385**	**-**	**1,385**	**-**
Reversals of impairment on trade receivables	(281)	-	(281)	-
Reversals of impairment on other receivables	(8)	-	(8)	-
Total reversals of impairment on trade and other receivables	**(289)**	**-**	**(289)**	**-**
TOTAL NET IMPAIRMENT/(REVERSALS) ON TRADE AND OTHER RECEIVABLES	**1,096**	**-**	**1,096**	**-**

The aggregate, which totaled €1,096 million, includes impairment losses and reversals of impairment losses on trade and other receivables as a result of amendments of IAS 1 as a consequence of the application of IFRS 9. The comparative figures for 2017, recognized under "Depreciation, amortization and other impairment losses" in the amount of €910 million, have not been reclassified, as IFRS 9 was applied using the simplified approach.

9.e Depreciation, amortization and other impairment losses - *€5,355 million*

Millions of euro

	2018	2017		Change
Property, plant and equipment	4,132	4,119	13	0.3%
Investment property	7	7	-	-
Intangible assets	1,075	805	270	33.5%
Other impairment losses	272	1,311	(1,039)	-79.3%
Other reversals of impairment losses	(131)	(381)	250	65.6%
Total	**5,355**	**5,861**	**(506)**	**-8.6%**

Depreciation, amortization and other impairment losses in 2018 decreased by €506 million.

This change essentially reflects amendments of IAS 1 as a consequence of the application of IFRS 9, under which impairment losses on trade and other receivables in 2018 were presented as a separate item. The comparative figures for 2017, equal to €910 million, have not been reclassified, as IFRS 9 was applied using the simplified approach provided for in that standard.

These effects were partially offset by a €270 million increase in amortization due to the acquisition of Enel Distribuição São Paulo (€93 million) and the application, starting in 2018, of IFRS 15, which resulted in a reduction in agency and teleseller costs as they are capitalized when they result in an increase in the customer base (€166 million).

The slight increase in depreciation of property, plant and equipment (€13 million) was affected by the decrese in depreciation recognized by e-distribuzione (€94 million) following a study of the operating performance of distribution plants, supported by technical advisors, following which it was considered reasonable to extend the economic-technical lives of certain components of distribution plants compared with forecasts made in previous years.

Millions of euro

	2018	2017		Change
Impairment losses:				
- property, plant and equipment	235	65	170	-
- investment property	3	10	(7)	-70.0%
- intangible assets	31	7	24	-
- goodwill	3	-	3	-
- trade receivables	-	1,204	(1,204)	-
- other assets	-	25	(25)	-
Total impairment losses	**272**	**1,311**	**(1,039)**	**-79.3%**
Reversals of impairment losses:				
- property, plant and equipment	(86)	(53)	(33)	62.3%
- investment property	-	-	-	-
- intangible assets	(45)	(9)	(36)	-
- trade receivables	-	(310)	310	-
- other assets	-	(9)	9	-
Total reversals of impairment losses	**(131)**	**(381)**	**250**	**65.6%**
TOTAL IMPAIRMENT AND RELATED REVERSALS	**141**	**930**	**(789)**	**-84.8%**

Impairment losses decreased by €1,039 million on the previous year.

Of particular note was the greater impairment of property, plant and equipment (€194 million), in particular as a result of the impairment of biomass and solar assets in Italy (€91 million), of the assets of Nuove Energie (€24 million), of the Augusta and Bastardo power plants (€23 million), and of the Alcúdia power plant in Spain (€82 million). These increases were partially offset by the reversal of impairment for the Hellas CGU (€117 million).

In 2017, this aggregate included impairment losses on the geothermal assets of the German company Erdwärme (€42 million), which were recognized following unsuccessful exploration work.

9.f Other operating expenses - *€2,889 million*

Millions of euro

	2018	2017	Change	
System charges - emissions allowances	443	392	51	13.0%
Charges for energy efficiency certificates	607	776	(169)	-21.8%
Charges for purchases of green certificates	41	35	6	17.1%
Losses on disposal of property, plant and equipment and intangible assets	61	105	(44)	-41.9%
Taxes and duties	1,126	1,197	(71)	-5.9%
Other	611	381	230	60.4%
Total	**2,889**	**2,886**	**3**	**0.1%**

Other operating expenses, totaling €2,889 million, increased by €3 million.

This was due essentially to the following:

- higher charges in Spain, mainly for the "*bono social*", in the amount of €229 million, as in 2017 a favorable judgment was issued that led to the reversal of costs incurred for 2015, 2016 and 2017;
- an increase in indemnities paid to customers and suppliers in the amount of €22 million;
- lower environmental compliance costs in the amount of €112 million, mainly in Italy and Spain;
- lower charges for taxes and duties in the amount of €71 million, essentially related to lower taxes on thermal generation in Spain (€109 million), due in part to the greater use of hydroelectric generation, which was only partially offset by the increase in taxes on real estate in the amount of €25 million, particularly in Italy;
- a decrease of €89 million in costs related to the improvement of service quality, which decreased mainly in Argentina and was only partially offset by the greater fines recognized in relation to distribution in Italy.

9.g Capitalized costs - *€(2,264) million*

Millions of euro

	2018	2017	Change	
Personnel	(836)	(780)	(56)	-7.2%
Materials	(852)	(618)	(234)	-37.9%
Other	(576)	(449)	(127)	-28.3%
Total	**(2,264)**	**(1,847)**	**(417)**	**-22.6%**

Capitalized costs consist of €836 million in personnel costs, €852 million in materials costs, and €576 million in service costs (compared with €780 million, €618 million, and €449 million, respectively, for 2017). Capitalized costs mainly regard the development and implementation of major investments, mainly in Enel Green Power and the distribution sector.

10. Net income/(expense) from commodity contracts measured at fair value - *€483 million*

Net income from the management of commodity risk amounted to €483 million in 2018 (compared with net income of €578 million in 2017), which may be broken down as follows:

- net income on cash flow hedge derivatives in the amount of €25 million (net income of €246 million in 2017);
- net income on derivatives at fair value through profit or loss in the amount of €458 million (net income of €332 million in 2017).

For more information on derivatives, see note 46 "Derivatives and hedge accounting".

Millions of euro

	2018	2017	Change	
Income:				
- income from cash flow hedge derivatives	93	284	(191)	-67.3%
- income from derivatives at fair value through profit or loss	3,813	1,288	2,525	-
Total income	**3,906**	**1,572**	**2,334**	**-**
Expense:				
- expense on cash flow hedge derivatives	(68)	(38)	(30)	-78.9%
- expense on derivatives at fair value through profit or loss	(3,355)	(956)	(2,399)	-
Total expense	**(3,423)**	**(994)**	**(2,429)**	**-**
NET INCOME/(EXPENSE) FROM COMMODITY CONTRACTS MEASURED AT FAIR VALUE	**483**	**578**	**(95)**	**-16.4%**

11. Financial income/(expense) from derivatives - *€461 million*

Millions of euro

	2018	2017	Change	
Income:				
- income from cash flow hedge derivatives	1,087	728	359	49.3%
- income from derivatives at fair value through profit or loss	851	847	4	0.5%
- income from fair value hedge derivatives	55	36	19	52.8%
Total income	**1,993**	**1,611**	**382**	**23.7%**
Expense:				
- expense on cash flow hedge derivatives	(376)	(2,171)	1,795	82.7%
- expense on derivatives at fair value through profit or loss	(1,124)	(552)	(572)	-
- expense on fair value hedge derivatives	(32)	(43)	11	25.6%
Total expense	**(1,532)**	**(2,766)**	**1,234**	**44.6%**
TOTAL FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES	**461**	**(1,155)**	**1,616**	**-**

Net income from derivatives amounted to €461 million for 2018 (compared with net expense of €1,155 million in 2017), which may be broken down as follows:

- net income on cash flow hedge derivatives in the amount of €711 million (compared with net expense of €1,443 million in 2017);
- net expense on derivatives at fair value through profit or loss in the amount of €273 million (net income of €295 million in 2017);

- net income on fair value hedge derivatives in the amount of €23 million (net expense of €7 million in 2017).

The net balances in 2018 on both hedging and trading derivatives mainly refer to the hedging of exchange rate risk. For more information on derivatives, see note 46 "Derivatives and hedge accounting".

12. Other financial income/(expense) - *€(2,509) million*

Other financial income

Millions of euro

	2018	2017	Change	
Interest income from financial assets (current and non-current):				
- interest income at effective rate on non-current securities and receivables	93	52	41	78.8%
- interest income at effective rate on short-term financial investments	163	132	31	23.5%
Total interest income at effective rate	**256**	**184**	**72**	**39.1%**
Financial income on non-current securities at fair value through profit or loss	**-**	**-**	**-**	**-**
Exchange gains	**910**	**1,852**	**(942)**	**-50.9%**
Income on equity investments	**12**	**54**	**(42)**	**-77.8%**
Other income	**1,190**	**281**	**909**	**-**
TOTAL FINANCIAL INCOME	**2,368**	**2,371**	**(3)**	**-0.1%**

Other financial income amounted to €2,368 million, a small decrease of €3 million compared with the previous year due mainly to:

- a decrease in exchange gains in the amount of €942 million, reflecting the impact, above all, of trends in exchange rates on net financial debt denominated in currencies other than the euro. This change is mainly attributable to Enel Finance International (-€1,052 million) and Enel SpA (-€209 million) and was partially offset by the Enel Américas Group (+€212 million) and Enel Green Power Brazil (+€62 million);
- a decrease of €42 million in income on equity investments, which totaled €12 million in 2018, due essentially to the gain, in 2017, on the sale of the investment in the Indonesian firm Bayan Resources (€52 million);
- an increase of €909 million in other income, due mainly to:
  - the recognition of financial income of €653 million for the Argentine companies following the application of IAS 29 related to accounting for hyperinflationary economies, as explained in greater detail in note 2 to the consolidated financial statements for the year ended December 31, 2018;
  - the adjustment in the value of the financial receivable arising as a result of the sale of the 50% stake in Slovak Power Holding as a result of updating the pricing formula included in the agreements with EPH, which resulted in a €134 million increase in financial income;
  - the recognition by Enel SpA of financial income in the amount of €54 million related to reimbursements of direct taxes;
  - an increase of €38 million in past-due interest recognized, especially by e-distribuzione and the Enel Américas Group;
  - an increase in interest and income accrued on financial assets in relation to the public service concession arrangements of the Brazilian companies in the amount of €30 million;
- an increase of €72 million in interest and other income on financial assets essentially related to financial receivables, particularly for Enel Finance International and the Enel Américas Group.

Other financial expense

Millions of euro

	2018	2017	Change	
Interest expense on financial debt (current and non-current):				
- interest on bank borrowings	408	357	51	14.3%
- interest expense on bonds	1,953	1,987	(34)	-1.7%
- interest expense on other borrowings	127	95	32	33.7%
Total interest expense	**2,488**	**2,439**	**49**	**2.0%**
Exchange losses	**1,378**	**820**	**558**	**68.0%**
Accretion of post-employment and other employee benefits	**107**	**72**	**35**	**48.6%**
Accretion of other provisions	**169**	**190**	**(21)**	**-11.1%**
Charges on equity investments	**1**	**-**	**1**	**-**
Other expenses	**734**	**387**	**347**	**89.7%**
TOTAL FINANCIAL EXPENSE	**4,877**	**3,908**	**969**	**24.8%**

Other financial expense amounted to €4,877 million, a total increase of €969 million compared with 2017. The change reflects the following factors in particular:

- an increase in exchange losses in the amount of €558 million, reflecting the impact, above all, of trends in exchange rates on net financial debt denominated in currencies other than the euro. This change is mainly attributable to the Enel Américas Group (€269 million), Enel Green Power Brazil (€115 million), and Enel SpA (€60 million);
- an increase of €347 million in other charges due mainly to the following factors:
  - the recognition of financial expenses of €485 million for the Argentine companies following the application of IAS 29 related to recognitions during hyperinflationary economies;
  - an €89 million decrease in capitalized interest mainly for Enel Green Power Brazil and Enel Green Power Chile;
  - a €62 million increase in charges for the transfer and derecognition of receivables, mainly attributable to Enel Energia (€23 million), the Enel Américas Group (€21 million), and Servizio Elettrico Nazionale (€14 million);
  - a reduction in financial charges for the adjustment of the fair value of the financial receivable arising following the sale of 50% of Slovak Power Holding, which led to the reversal of the total value of the receivable subject to impairment in 2016 (€220 million). Specifically, €186 million in reversals was recognized in 2018, compared with €34 million in 2017;
  - a decrease in financial expense recognized by Enel Finance International in the amount of €108 million due to the early redemption in 2017 of bonds based on the "make-whole call option" provided for under the original financing agreement;
  - a reduction in charges related to medium- and long-term revolving credit lines in the amount of €52 million, above all for Enel SpA and Enel Finance International;
- an increase of €49 million in interest expense on financial liabilities. This change was due to the increase in interest expense on bank borrowings in the amount of €51 million, particularly in South America, and on other non-bank borrowings in the amount of €32 million, mainly due to the increase in interest expense on tax partnerships (€21 million). These effects were partially offset by the reduction in interest expense on bonds in the amount of €34 million, essentially for Enel SpA and Enel Finance International;
- an increase of €35 million in costs for the accretion of liabilities for employee benefits, essentially attributable to the Enel Américas Group (€38 million), mainly for the acquisition of Enel Distribuição São Paulo;
- a decrease of €21 million due to the accretion of other provisions, mainly relating to the Enel Américas Group (€28 million) due to the exchange rate effect and a decrease in the discounting of past fines being disputed in Argentina.

13. Share of income/(losses) of equity investments accounted for using the equity method - *€349 million*

Millions of euro

	2018	2017	Change	
Share of income of associates	521	225	296	-
Share of losses of associates	(172)	(114)	(58)	-50.9%
Total	**349**	**111**	**238**	**-**

The share of net income on equity investments accounted for using the equity method increased by €238 million compared with the previous year. This change was essentially due to the adjustment of the value of the 50% stake in Slovak Power Holding (€362 million), which had been written down multiple times in previous years. The increase described above was due to the changes in the parameters used to determine the pricing formula, as included in the agreements with EPH, as well as to the net effect of the pro-rated recognition of the profits earned by associates and joint ventures. These increases were only partially offset by the impairment of certain assets of the Greek project companies involved in development of wind farms on the Cyclades islands (€49 million) and of biomass development projects in Italy (€12 million), as well as the effect of the pro-rated recognition of losses for the year related to associates and joint ventures.

14. Income taxes - *€1,851 million*

Millions of euro

	2018	2017	Change	
Current taxes	2,014	1,926	88	4.6%
Adjustments for income taxes relating to prior years	(150)	(59)	(91)	-
Total current taxes	**1,864**	**1,867**	**(3)**	**-0.2%**
Deferred tax liabilities	92	(169)	261	-
Deferred tax assets	(105)	184	(289)	-
TOTAL	**1,851**	**1,882**	**(31)**	**-1.6%**

Income taxes for 2018 amounted to €1,851 million, compared with €1,882 million in 2017.

The €31 million reduction in taxes for 2018 compared with the previous year was mainly due to the following factors:

- the recognition of greater deferred tax assets on past losses by Enel Distribuição Goiás as a result of the efficiency improvement measures implemented by the Group subsequent to the acquisition (€274 million);
- a decrease in income taxes in Italy due to the recognition of deferred tax assets (€85 million) for the past losses of 3Sun following the merger with Enel Green Power SpA;
- the more favorable tax regime applicable to net income deriving from extraordinary items compared with the previous year (€180 million);
- a reduction in deferred tax liabilities (€61 million) following the tax reform in Colombia, which led to a reduction in progressive tax rates from 33% to 30%.

These decreases were partially offset by greater taxes resulting from the improvement in pre-tax income, from taxes recognized in Mexico following the sale of the "Project Kino" companies, from the release of deferred taxes recognized in 2017 by Enel Green Power North America in response to tax reform (€170 million), and from the recognition in 2017 of deferred tax assets in Argentina by Edesur (€60 million).

For more information on changes in deferred taxes, see note 22.

The following table provides a reconciliation of the theoretical tax rate and the effective tax rate.

Millions of euro

	2018		2017	
Income before taxes	8,201		7,211	
Theoretical taxes	1,968	24.0%	1,731	24.0%
Change in tax effect on impairment losses, capital gains and negative goodwill	(180)		(6)	
Recognition of deferred taxes on past losses in South America	(274)		(60)	
Recognition of deferred taxes on past losses in Italy	(86)		-	
Change in tax effect of "Project Kino" capital gains and other items in Mexico	100		-	
Impact on deferred taxation of changes in tax rates	(61)		(182)	
IRAP	237		231	
Other differences, effect of different tax rates abroad compared with the theoretical rate in Italy, and other minor items	147		168	
Total	**1,851**		**1,882**	

15. Basic and diluted earnings per share

Both metrics are calculated on the basis of the average number of ordinary shares in the period, equal to 10,166,679,946 shares, adjusted for the diluting effect of outstanding stock options (none in both periods).

	2018	2017	Change	
Net income from continuing operations attributable to shareholders of the Parent Company (millions of euro)	4,789	3,779	1,010	26.7%
Net income from discontinued operations attributable to shareholders of the Parent Company (millions of euro)	-	-	-	-
Net income attributable to shareholders of the Parent Company (millions of euro)	4,789	3,779	1,010	26.7%
Number of ordinary shares	10,166,679,946	10,166,679,946	-	-
Dilutive effect of stock options	-	-	-	-
Basic and diluted earnings per share (euro)	0.47	0.37	0.10	27.0%
Basic and diluted earnings from continuing operations per share (euro)	0.47	0.37	0.10	27.0%
Basic and diluted earnings from discontinued operations per share (euro)	-	-	-	-

16. Property, plant and equipment - *€76,631 million*

The breakdown of and changes in property, plant and equipment for 2018 are shown below:

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment
Cost	649	9,425	154,013	491
Accumulated depreciation and impairment	-	5,182	91,671	340
Balance at Dec. 31, 2017	**649**	**4,243**	**62,342**	**151**
Capital expenditure	14	451	3,114	25
Assets entering service	7	166	2,469	1
Exchange rate differences	(13)	(25)	(1,060)	1
Change in scope of consolidation	1	(3)	107	-
Disposals	(2)	-	(27)	(4)
Depreciation	-	(169)	(3,753)	(24)
Impairment losses	(1)	(26)	(142)	-
Reversals of impairment losses	1	9	76	-
Other changes	4	63	1,345	8
Reclassifications from/to assets held for sale	(5)	(93)	(528)	-
Total changes	**6**	**373**	**1,601**	**7**
Cost	655	9,919	158,257	503
Accumulated depreciation and impairment	-	5,303	94,314	345
Balance at Dec. 31, 2018	**655**	**4,616**	**63,943**	**158**

Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	**Total**
1,321	1,054	429	6,363	173,745
1,022	311	282	-	98,808
299	**743**	**147**	**6,363**	**74,937**
67	6	15	2,838	6,530
29	(2)	23	(2,693)	-
(14)	(1)	-	(321)	(1,433)
3	14	-	7	129
(5)	-	(8)	(7)	(53)
(89)	(48)	(31)	-	(4,114)
-	-	-	(66)	(235)
-	-	-	-	86
16	2	1	(105)	1,334
-	-	-	76	(550)
7	**(29)**	**-**	**(271)**	**1,694**
1,401	1,077	411	6,092	178,315
1,095	363	264	-	101,684
306	**714**	**147**	**6,092**	**76,631**

"Plant and machinery" includes assets to be relinquished free of charge with a net carrying amount of €8,747 million (€8,702 million at December 31, 2017), largely regarding power plants in Iberia and South America amounting to €4,390 million (€4,624 million at December 31, 2017), and the electricity distribution network in South America totaling €3,806 million (€3,453 million at December 31, 2017).

For more information on leased assets, see note 18 below.

The types of capital expenditure made during 2018 are summarized below. These expenditures, totaling €6,530 million, decreased by €327 million from 2017, a decrease that was particularly concentrated in solar power plants.

Millions of euro

	2018	2017
Power plants:		
- thermal	400	577
- hydroelectric	504	450
- geothermal	114	224
- nuclear	156	127
- alternative energy sources	2,170	2,819
Total power plants	**3,344**	**4,197**
Electricity distribution networks	3,090	2,627
Land, buildings, and other assets and equipment	96	33
TOTAL	**6,530**	**6,857**

Capital expenditure on power plants amounted to €3,344 million, a decrease of €853 million on the previous year, essentially reflecting decreased investment in alternative-energy plants in Brazil, Peru, Mexico and the United States. Capital expenditure on renewables plants mainly concerned wind farms, in the amount of €1,792 million, and photovoltaic plants, in the amount of €375 million.

Capital expenditure on the electricity distribution network amounted to €3,090 million, an increase of €463 million compared with the previous year, and mainly concerned service-quality improvements and activities relating to the replacement of electronic meters for implementation of the Open Meter plan in Italy.

The changes in the scope of consolidation for 2018 mainly concerned the acquisitions of Parques Eólicos Gestinver (€139 million), a company operating in the production of wind energy, of Empresa de Alumbrado Eléctrico de Ceuta (€65 million), a company operating in the distribution and sale of electricity in the autonomous city of Ceuta in North Africa, and of the Brazilian distribution company Enel Distribuição São Paulo (€14 million). These effects were partially offset by the sale, on December 14, 2018, of Enel Green Power Uruguay and the related special-purpose vehicle Estrellada.

Reclassifications from/to assets held for sale mainly refer to the carrying value of three solar plants in Brazil (€620 million), which, following decisions taken by management, meet the requirements of IFRS 5 for classification in this aggregate. These effects were partially offset by the reclassification of the project companies relating to the Kafireas wind farm as no longer available for sale as a result of no longer meeting the conditions for continuing with the sale.

Other changes include the effects of IAS 29 on property, plant and equipment as at January 1, 2018, and the effects of hyperinflation as of December 31, 2018, for a total of €1,130 million, as well as the effect of capitalizing interest on loans specifically dedicated to capital expenditure in the amount of €77 million (€167 million in 2017), as detailed below.

Millions of euro

	2018	Rate (%)	2017	Rate (%)	Change	
Enel Green Power SpA	4	1.7%	14	4.8%	(10)	-71.4%
PH Chucas SA	-	-	1	6.1%	(1)	-
Enel Green Power Brazil	19	0.9%	84	6.8%	(65)	-77.4%
Enel Green Power North America	9	0.5%	10	1.3%	(1)	-10.0%
Enel Green Power México	3	5.2%	12	4.6%	(9)	-75.0%
Enel Green Power South Africa	6	6.3%	7	7.8%	(1)	-14.3%
Enel Américas Group	16	8.5%	7	9.0%	9	-
Enel Chile Group	9	7.7%	19	5.2%	(10)	-52.6%
Endesa Group	4	1.9%	8	2.1%	(4)	-50.0%
Enel Produzione	7	4.8%	5	4.8%	2	40.0%
Total	**77**		**167**		**(90)**	**-53.9%**

At December 31, 2018, contractual commitments to purchase property, plant and equipment amounted to €583 million.

17. Infrastructure within the scope of "IFRIC 12 - Service concession arrangements"

Service concession arrangements, which are recognized in accordance with IFRIC 12, regard certain infrastructure serving concessions for electricity distribution in Brazil.

The following table summarizes the salient details of those concessions.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	**Amount recognized among contract assets at Dec. 31, 2018**	**Amount recognized among financial assets at Dec. 31, 2018**	**Amount recognized among intangible assets at Dec. 31, 2018**
Enel Distribuição Rio	Brazilian government	Electricity distribution	Brazil	1997-2026	8 years	Yes	108	761	672
Enel Distribuição Ceará	Brazilian government	Electricity distribution	Brazil	1998-2028	10 years	Yes	36	425	648
Enel Green Power Mourão	Brazilian government	Power generation	Brazil	2016-2046	28 years	No	-	6	-
Enel Green Power Paranapanema	Brazilian government	Power generation	Brazil	2016-2046	28 years	No	-	31	-
Enel Distribuição Goiás	Brazilian government	Electricity distribution	Brazil	2015-2045	27 years	No	106	29	458
Enel Green Power Volta Grande	Brazilian government	Power generation	Brazil	2017-2047	29 years	No	-	320	-
Enel Distribuição São Paulo	Brazilian government	Electricity distribution	Brazil	1998-2028	10 years	No	86	855	1,002
Total							**336**	**2,428**	**2,780**

The value of the assets at the end of the concessions classified under financial assets has been measured at fair value. For more information, see note 47 "Assets measured at fair value".

18. Leases

The Group, in the role of lessee, has entered into finance lease agreements. They include certain assets which the Group is using in Spain, Peru, Italy and Greece. In Spain, the assets relate to a 25-year tolling agreement (18 years remaining) for which an analysis pursuant to IFRIC 4 identified an embedded finance lease, under which Endesa has access to the generation capacity of a combined-cycle plant for which the toller, Elecgas, has undertaken to transform gas into electricity in exchange for a toll at a rate of 9.62%.

In Peru, leases concern agreements related to financing for the Ventanilla combined-cycle plant (with a duration of eight years remunerated at an annual rate of Libor + 1.75%), as well as an agreement that financed construction of a new open-cycle system at the Santa Rosa plant (with a duration of nine years and annual interest of Libor + 1.75%).

The other lease agreements regard wind plants that the Group uses in Italy (expiring in 2030-2031 and with a discount rate of between 4.95% and 5.5%).

The carrying amount of assets held under finance leases is reported in the following table.

Millions of euro

	2018	2017	Change	
Property, plant and equipment	714	743	(29)	-3.9%
Intangible assets	-	-	-	-
Total	**714**	**743**	**(29)**	**-3.9%**

The following table reconciles total future minimum lease payments and the present value, broken down by maturity based on the contracts deemed to fall within the scope of IAS 17-IFRIC 4.

Millions of euro	Future minimum payments	Present value of future minimum payments	Future minimum payments	Present value of future minimum payments
	at Dec. 31, 2018		at Dec. 31, 2017	
Periods				
Within 1 year	98	65	88	58
Between 1 and 5 years	345	221	326	210
Beyond 5 years	518	369	573	426
Total	**961**	**655**	**987**	**694**
Financial expense	(306)	-	(293)	-
Present value of minimum lease payments	**655**		**694**	

The Group, in the role of lessee, has entered also into operating lease agreements regarding the use of certain assets for industrial purposes. The associated lease payments are expensed under "Services and other materials".

Costs for operating leases are broken down in the following table into minimum payments, contingent rents and sublease payments.

Millions of euro

	2018
Minimum lease payments	2,441
Contingent rents	10
Sublease payments	-
Total	**2,451**

The future minimum lease payments due by the Group under such leases break down by maturity as follows:

Millions of euro

	2018
Periods	
Within 1 year	230
Beyond 1 year and within 5 years	657
Beyond 5 years	1,554
Total	**2,441**

19. Investment property - *€135 million*

Investment property at December 31, 2018 came to €135 million, an increase of €58 million year on year.

Millions of euro

	2018
Cost	121
Accumulated depreciation and impairment	44
Balance at Dec. 31, 2017	**77**
Assets entering service	-
Exchange rate differences	-
Change in scope of consolidation	12
Depreciation	(7)
Impairment losses	(3)
Other changes	56
Total changes	**58**
Cost	179
Accumulated depreciation and impairment	44
Balance at Dec. 31, 2018	**135**

The Group's investment property consists of properties in Italy, Spain and Chile, which are free of restrictions on the realizability of the investment property or the remittance of income and proceeds of disposal. In addition, the Group has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The change for the year was mainly due to the reclassification of the land at La Palma, the former offices of Gas y Electricidad Generación SAU, the use of which was changed in 2018 from a building for the Group's own use to investment property, as well as to the acquisition of the Brazilian distribution company Enel Distribuição São Paulo.

For more information on the valuation of investment property, see notes 47 "Assets measured at fair value" and 47.1 "Fair value of other assets".

20. Intangible assets - *€19,014 million*

A breakdown of and changes in intangible assets for 2018 are shown below:

Millions of euro	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Service concession arrangements	Other	Assets under development and advances	Contract costs	**Total**
Cost	31	2,148	14,171	4,840	3,060	814	-	25,064
Accumulated amortization and impairment	22	1,840	1,633	2,626	2,219	-	-	8,340
Balance at Dec. 31, 2017	**9**	**308**	**12,538**	**2,214**	**841**	**814**	**-**	**16,724**
Investments	4	97	11	442	57	520	220	1,351
Assets entering service	16	129	6	-	233	(384)	-	-
Exchange rate differences	(1)	(8)	(334)	(175)	8	(15)	-	(525)
Change in scope of consolidation	-	-	1,440	968	54	-	-	2,462
Disposals	(1)	(3)	(1)	(29)	(13)	-	-	(47)
Amortization	(5)	(181)	(199)	(291)	(243)	-	(166)	(1,085)
Impairment losses	-	-	-	-	(23)	(8)	-	(31)
Reversals of impairment losses	-	-	6	-	39	-	-	45
Other changes	1	23	74	(349)	(131)	6	451	75
Reclassifications from/to assets held for sale	-	-	-	-	(7)	52	-	45
Total changes	**14**	**57**	**1,003**	**566**	**(26)**	**171**	**505**	**2,290**
Cost	42	2,352	15,246	6,899	3,294	985	986	29,804
Accumulated amortization and impairment	19	1,987	1,705	4,119	2,479	-	481	10,790
Balance at Dec. 31, 2018	**23**	**365**	**13,541**	**2,780**	**815**	**985**	**505**	**19,014**

"Industrial patents and intellectual property rights" relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of Internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the asset's residual useful life (on average between three and five years).

"Concessions, licenses, trademarks and similar rights" include the costs incurred for the acquisition of customers by the foreign electricity distribution and gas sales companies. Amortization is calculated on a straight-line basis over the term of the average period of the relationship with customers or of the concessions.

The following table reports service concession arrangements that do not fall within the scope of IFRIC 12 and had a balance as at December 31, 2018.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	**at Dec. 31, 2018**	Initial fair value
Endesa Distribución Eléctrica	-	Electricity distribution	Spain	Indefinite	Indefinite	-	5,678	5,673
Codensa	Republic of Colombia	Electricity distribution	Colombia	Indefinite	Indefinite	-	1,457	1,839
Enel Distribución Chile (formerly Chilectra)	Republic of Chile	Electricity distribution	Chile	Indefinite	Indefinite	-	1,522	1,667
Enel Distribución Perú (formerly Empresa de Distribución Eléctrica de Lima Norte)	Republic of Peru	Electricity distribution	Peru	Indefinite	Indefinite	-	614	548
Enel Distribuție Muntenia	Romanian Ministry for the Economy	Electricity distribution	Romania	2005-2054	35 years	Yes	138	191

The item includes assets with an indefinite useful life in the amount of €9,271 million (€9,445 million at December 31, 2017), essentially accounted for by concessions for distribution activities in Spain (€5,678 million), Colombia (€1,457 million), Chile (€1,522 million), and Peru (€614 million), for which there is no statutory or currently predictable expiration date. On the basis of the forecasts developed, cash flows for each CGU, with which the various concessions are associated, are sufficient to recover the carrying amount. The change during the year is essentially attributable to changes in exchange rates. For more information on service concession arrangements, see note 26.

Changes in the scope of consolidation for 2018 mainly concerned the acquisition of the Brazilian distribution company Enel Distribuição São Paulo (€2,411 million), reflecting the adjustments for the purchase price allocation and was only partially offset by disposals for the period.

"Impairment losses" amounted to €31 million in 2018. For more information, see note 9.e.

"Other changes" include the recognition as at January 1, 2018 of contract costs as well as the reclassification of public-to-private service concession agreements (under development) to non-current assets deriving from contracts with customers in Brazil in application of IFRS 15.

"Reclassifications from/to assets held for sale" amounted to €45 million, and essentially refer to the reclassification of the project companies related to the Kafireas wind farm as no longer available for sale as they no longer met the conditions for continuing with the sale.

21. Goodwill - *€14,273 million*

Goodwill amounted to €14,273 million, an increase of €527 million over the previous year.

Millions of euro	at Dec. 31, 2017			Change in scope of cons.	Exchange rate diff.
	Cost	Cumulative impairment	**Net carrying amount**		
Iberia (1)	11,156	(2,392)	8,764	21	-
Chile	1,209	-	1,209	-	-
Argentina	276	-	276	-	-
Peru	561	-	561	-	-
Colombia	530	-	530	-	-
Brazil	945	-	945	466	32
Central America	56	-	56	2	1
Enel Green Power North America	106	(11)	95	-	-
Enel X North America	292	-	292	-	14
Market Italy (2)	579	-	579	-	-
Enel Green Power Italy	23	-	23	-	-
Romania (3)	426	(13)	413	-	-
Tynemouth Energy	3	-	3	-	-
Total	**16,162**	**(2,416)**	**13,746**	**489**	**47**

(1) Includes Endesa and Enel Green Power España.
(2) Includes Enel Energia.
(3) Includes Enel Distribuție Muntenia, Enel Energie Muntenia and Enel Green Power Romania.

Changes in the scope of consolidation refer to the acquisition of the Brazilian distribution company Enel Distribuição São Paulo (€466 million), which reflects the adjustments to the purchase price allocation, as well as to the acquisition of Empresa de Alumbrado Eléctrico de Ceuta, a company operating in the distribution and sale of electricity in the autonomous city of Ceuta in North Africa.

Reclassifications from/to assets held for sale, which amounted to €23 million, concern the goodwill associated with the Brazil CGU allocated to the three wind farms in Brazil which during the year qualified for such classification under IFRS 5.

Impairment losses amounted to €3 million, and refer to the adjustment of the sale price of the Finale Emilia biomass power generation plant.

The criteria used to identify the cash generating units (CGUs) were essentially based – in line with management's strategic and operational vision – on the specific characteristics of their business, on the operational rules and regulations of the markets in which Enel operates, on the corporate organization, and on the level of reporting monitored by management.

The recoverable value of the goodwill recognized was estimated by calculating the value in use of the CGUs using discounted cash flow models, which involve estimating expected future cash flows and applying an appropriate discount rate, selected on the basis of market inputs such as risk-free rates, betas and market-risk premiums.
Cash flows were determined on the basis of the best information available at the time of the estimate, taking account of the specific risks of each CGU, and drawn:

- for the explicit period, from the 5-year Business Plan approved by the Board of Directors of the Parent Company on November 19, 2018, containing forecasts for volumes, revenue, operating costs, capital expenditure, industrial and commercial organization and developments in the main macroeconomic variables (inflation, nominal interest rates and exchange rates) and commodity prices. The

Impairment losses	Reclassifications from/ to assets held for sale	Other changes	at Dec. 31, 2018		
			Cost	Cumulative impairment	**Net carrying amount**
-	-	-	11,177	(2,392)	**8,785**
-	-	-	1,209	-	**1,209**
-	-	-	276	-	**276**
-	-	-	561	-	**561**
-	-	-	530	-	**530**
-	(23)	-	1,420	-	**1,420**
-	-	(5)	54	-	**54**
-	-	-	106	(11)	**95**
-	-	22	328	-	**328**
-	-	-	579	-	**579**
(3)	-	-	23	(3)	**20**
-	-	-	426	(13)	**413**
-	-	-	3	-	**3**
(3)	**(23)**	**17**	**16,692**	**(2,419)**	**14,273**

explicit period of cash flows considered in impairment testing differs in accordance with the specific features and business cycles of the various CGUs being tested. These differences are generally associated with the different average times needed to build and bring into service the plant and other works that characterize the investments of the specific businesses that make up the CGU (conventional thermal generation, nuclear power, renewables, distribution, etc.);

- for subsequent years, from assumptions concerning long-term developments in the main variables that determine cash flows, the average residual useful life of assets or the duration of the concessions.

More specifically, the terminal value was calculated as a perpetuity or annuity with a nominal growth rate equal to the long-term rate of growth in electricity and/or inflation (depending on the country and business involved) and in any case no higher than the average long-term growth rate of the reference market. The value in use calculated as described above was found to be greater than the amount recognized on the balance sheet, with the exceptions discussed below.

In order to verify the robustness of the value in use of the CGUs, sensitivity analyses were conducted for the main drivers of the values, in particular WACC, the long-term growth rate and margins, the outcomes of which fully supported that value.

The table below reports the composition of the main goodwill values according to the company to which the cash-generating unit (CGU) belongs, along with the discount rates applied and the time horizon over which the expected cash flows have been discounted.

Millions of euro	Amount	Growth rate [1]	Pre-tax WACC discount rate [2]	Explicit period of cash flows	Terminal value [3]
	at Dec. 31, 2018				
Iberia [4]	8,785	1.6%	6.9%	5 years	Perpetuity/24 years
Chile	1,209	2.6%	7.5%	5 years	Perpetuity/25 years
Argentina	276	7.1%	20.1%	5 years	Perpetuity
Peru	561	3.4%	6.8%	5 years	Perpetuity/26 years
Colombia	530	3.0%	9.3%	5 years	Perpetuity/28 years
Brazil	1,420	4.0%	9.5%	5 years	Perpetuity/26 years
Central America	54	1.5%	9.0%	5 years	24 years
Enel Green Power North America	95	2.3%	6.8%	5 years	25 years
Enel X North America	328	2.3%	10.3%	5 years	Perpetuity
Market Italy [5]	579	0.7%	11.0%	5 years	15 years
Enel Green Power Italy	20	1.0%	6.7%	5 years	Perpetuity/23 years
Romania [6]	413	2.4%	6.8%	5 years	Perpetuity/18 years
Tynemouth Energy	3	n/a	n/a	n/a	n/a

(1) Perpetual growth rate for cash flows after the explicit forecast period.
(2) Pre-tax WACC calculated using the iterative method: the discount rate that ensures that the value in use calculated with pre-tax cash flows is equal to that calculated with post-tax cash flows discounted with the post-tax WACC.
(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.
(4) Includes Endesa and Enel Green Power España.
(5) Goodwill allocated to the Market Italy CGU.
(6) Includes Enel Distribuție Muntenia, Enel Energie Muntenia and Enel Green Power Romania.

At December 31, 2018, impairment tests conducted for the CGUs to which goodwill was allocated pointed to no impairment losses, similarly to 2017.

Amount	Growth rate [1]	Pre-tax WACC discount rate [2]	Explicit period of cash flows	Terminal value [3]
at Dec. 31, 2017				
8,764	1.7%	6.9%	5 years	Perpetuity/19 years
1,209	2.9%	7.4%	5 years	Perpetuity/23 years
276	8.6%	18.7%	5 years	Perpetuity/29 years
561	3.4%	6.9%	5 years	Perpetuity/27 years
530	2.9%	9.3%	5 years	Perpetuity/29 years
945	4.0%	10.0%	5 years	Perpetuity/26 years
56	1.4%	8.2%	5 years	26 years
95	2.3%	6.4%	5 years	25 years
292	2.3%	10.3%	5 years	15 years
579	0.7%	10.8%	5 years	15 years
23	1.9%	7.3%	5 years	Perpetuity/22 years
413	2.4%	6.7%	5 years	Perpetuity/19 years
3	n/a	n/a	n/a	n/a

22. Deferred tax assets and liabilities - *€8,305 million and €8,650 million*

The following table details changes in deferred tax assets and liabilities by type of timing difference and calculated based on the tax rates established by applicable regulations, as well as the amount of deferred tax assets offsettable, where permitted, against deferred tax liabilities.

Millions of euro	at Dec. 31, 2017	Incr./(Decr.) taken to income statement	Incr./(Decr.) taken to equity
Deferred tax assets:			
- differences in the value of intangible assets, property, plant and equipment	1,617	(83)	-
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	1,439	9	-
- tax loss carried forward	167	336	-
- measurement of financial instruments	690	(9)	118
- employee benefits	604	(2)	51
- other items	1,837	(150)	(3)
Total	**6,354**	**101**	**166**
Deferred tax liabilities:			
- differences on non-current and financial assets	6,051	(132)	-
- measurement of financial instruments	237	10	146
- other items	2,060	202	-
Total	**8,348**	**80**	**146**
Non-offsettable deferred tax assets			
Non-offsettable deferred tax liabilities			
Excess net deferred tax liabilities after any offsetting			

At December 31, 2018, deferred tax assets, which are recognized when their recoverability is reasonably certain, totaled €8,305 million (€6,354 million at December 31, 2017). Deferred tax assets increased by €1,951 million during the year, essentially due to the change in the scope of consolidation and the purchase price allocation of Enel Distribuição São Paulo (€704 million) and application of the new IFRS 15, which led to recognition of the tax component on adjustments made as at January 1, 2018, regarding certain balance sheet items, mainly for e-distribuzione (€1,066 million). In addition, deferred tax assets increased due to recognition of those resulting from the past losses of Enel Distribuição Goiás (€274 million) and Enel Green Power SpA (€85 million) following the merger of 3Sun.

This increase was only partially offset by the increase in deferred tax assets on past losses in Argentina recognized in 2017 in light of the improved earnings forecasts for the companies in that country.

It should also be noted that deferred tax assets (in the amount of €318 million) were not recorded in relation to prior tax losses in the amount of €1,218 million because, on the basis of current estimates of future taxable income, it is not certain that such assets will be recovered.

Change in scope of cons.	Exchange differences	Other changes	Reclassifications of assets held for sale	
				at Dec. 31, 2018
135	3	(3)	-	1,669
288	(40)	30	-	1,726
46	(10)	(31)	-	508
3	(1)	-	-	801
209	(3)	10	-	869
32	(9)	1,026	(1)	2,732
713	**(60)**	**1,032**	**(1)**	**8,305**
610	(200)	295	14	6,638
-	(1)	11	-	403
61	(29)	(685)	-	1,609
671	**(230)**	**(379)**	**14**	**8,650**
				4,581
				3,116
				1,810

Deferred tax liabilities amounted to €8,650 million at December 31, 2018 (€8,348 million at December 31, 2017). They essentially include the determination of the tax effects of the value adjustments to assets acquired as part of the final allocation of the cost of acquisitions made in the various years and the deferred taxation in respect of the differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful life of assets.

Deferred tax liabilities increased by a total of €302 million, due in particular to the change in the scope of consolidation following the acquisition of Enel Distribuição São Paulo (€655 million), the effect of application of IAS 29 to the Argentine companies (€189 million), and the tax effect associated mainly with initial application of IFRS 15 for the capitalization of customer acquisition costs for Enel Energia (€98 million) and Endesa Energia (€24 million).

These increases were partially offset by the reversal, with regard to distribution in Spain, of the deferred tax liabilities previously allocated for the postponement of recognition of revenue related to customer connections (-€557 million), as required by IFRS 15, and the reduction of the tax rate from 33% to 30% in Colombia due to tax reform (€61 million).

23. Equity investments accounted for using the equity method - *€2,099 million*

Investments in joint arrangements and associated companies accounted for using the equity method are as follows:

Millions of euro		% held	Income effect	Change in scope of cons.
	at Dec. 31, 2017			
Joint arrangements				
Slovak Power Holding	190	50.0%	362	-
EGPNA Renewable Energy Partners	404	50.0%	36	-
OpEn Fiber	343	50.0%	(56)	-
Zacapa Topco Sàrl	-	50.0%	(5)	150
Project Kino companies	-	20.0%	(2)	82
Tejo Energia Produção e Distribuição de Energia Eléctrica	73	43.8%	7	-
Rocky Caney Holding	39	-	2	-
Drift Sand Wind Project	32	50.0%	4	-
Front Marítim del Besòs	-	-	-	37
Enel Green Power Bungala	13	50.0%	1	-
RusEnergoSbyt	36	49.5%	34	-
Energie Electrique de Tahaddart	30	32.0%	2	-
Transmisora Eléctrica de Quillota	12	50,0%	1	-
EF Solare Italia	163	50.0%	(9)	(135)
PowerCrop	12	50.0%	(12)	-
Centrales Hidroeléctricas de Aysén	6	51.0%	2	(8)
Associates				
Elica 2	49	30.0%	(49)	-
Tecnatom	29	45.0%	-	-
Suministradora Eléctrica de Cádiz	13	33.5%	2	-
Compañía Eólica Tierras Altas	12	35.6%	1	-
Newco Cogenerazione.Si	-	20.0%	-	8
Other	142		28	-
Total	**1,598**		**349**	**134**

Income effects include the profits and losses recognized by the companies in proportion to the interest that the Enel Group holds and refers mainly to the adjustment of the value of the 50% stake in Slovak Power Holding (€362 million), which in previous years had been written down. These effects were only partially offset by the impairment of the Greek project companies involved in the development of wind plants on the Cyclades islands (€49 million) and biomass development projects in Italy (€12 million). No indications of impairment were found for the other equity investments.

The changes in the scope of consolidation refer mainly to the acquisition of the special-purpose vehicle Zacapa Topco Sàrl, which received 100% of the capital of Ufinet International, the leading operator of fiber-optic networks in Latin America, to the measurement using the equity method of the Mexican renewable companies (the "Project Kino" companies) for the remaining portion attributable to the Group following the sale of 80% of their share capital. These effects were partially offset by the sale, on December 27, 2018, of the joint venture EF Solare Italia held by Marte Srl for €214 million.

Dividends	Reclassifications from/to assets held for sale	Other changes	at Dec. 31, 2018	% held
-	-	(55)	497	50.0%
-	-	19	459	50.0%
-	-	107	394	50.0%
-	-	2	147	21.4%
-	-	(1)	79	20.0%
(8)	-	-	72	43.8%
-	-	2	43	20.0%
-	-	-	36	50.0%
-	-	-	37	61.4%
-	-	26	40	50.0%
(44)	-	9	35	49.5%
(5)	-	-	27	32.0%
-	-	(1)	12	50.0%
(16)	-	(3)	-	50.0%
-	-	-	-	50.0%
-	-	-	-	51.0%
-	-	-	-	30.0%
-	-	-	29	45.0%
(5)	-	-	10	33.5%
(2)	-	-	11	35.6%
-	-	-	8	20.0%
(6)	6	(7)	163	
(86)	**6**	**98**	**2,099**	

Other changes mainly include the pro-rated changes in the OCI reserves or other changes recognized directly in equity. In particular, €55 million for Slovak Power Holding refers to OCI changes on cash flow hedge derivatives, while €107 million for OpEn Fiber is attributable to an increase in reserves for future capital increases by shareholders (€125 million) and OCI reserves for cash flow hedge derivatives (-€18 million).

It should also be noted that application of the equity method to the investment in RusEnergoSbyt incorporates implicit goodwill of €27 million.

The following table provides a summary of financial information for each joint arrangement and associate of the Group not classified as held for sale in accordance with IFRS 5.

Millions of euro	Non-current assets		Current assets		Total assets	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Joint arrangements						
Slovak Power Holding	9,295	9,079	922	757	10,217	9,836
OpEn Fiber	2,084	1,224	313	125	2,397	1,349
Zacapa Topco Sàrl	1,343	-	81	-	1,424	-
RusEnergoSbyt	3	4	116	138	119	142
Tejo Energia Produção e Distribuição de Energia Eléctrica	203	250	163	149	366	399
Energie Electrique de Tahaddart	91	93	11	27	102	120
Associates						
Tecnatom	51	74	67	59	118	133
Suministradora Eléctrica de Cádiz	6	71	70	24	76	95
Compañía Eólica Tierras Altas	6	29	27	6	33	35

Non-current liabilities		Current liabilities		Total liabilities		Shareholders' equity	
at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
5,643	5,298	981	981	6,624	6,279	3,593	3,557
1,043	369	565	281	1,608	650	789	699
669	-	65	-	734	-	690	-
-	-	112	127	112	127	7	15
72	129	126	102	198	231	168	168
8	10	9	16	17	26	85	94
29	25	24	43	53	68	65	65
26	23	21	34	47	57	29	38
3	2	2	1	5	3	28	32

Millions of euro	Total revenue		Income before taxes		Net income from continuing operations	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Joint arrangements						
Slovak Power Holding	2,587	2,362	205	141	103	104
OpEn Fiber	114	68	(162)	(15)	(127)	(11)
Zacapa Topco Sàrl	91	-	(21)	-	(25)	-
RusEnergoSbyt	2,378	2,515	88	106	70	85
Tejo Energia Produção e Distribuição de Energia Eléctrica	234	267	30	34	21	23
Energie Electrique de Tahaddart	35	56	7	30	5	21
Associates						
Tecnatom	97	57	-	(9)	-	(9)
Suministradora Eléctrica de Cádiz	10	5	6	3	6	3
Compañía Eólica Tierras Altas	12	11	4	2	3	1

24. Derivatives

Millions of euro	Non-current		Current	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Derivative financial assets	1,005	702	3,914	2,309
Derivative financial liabilities	2,609	2,998	4,343	2,260

For more information on derivatives classified as non-current financial assets, please see note 46 for hedging derivatives and trading derivatives.

25. Current/Non-current contract assets/(liabilities)

Millions of euro	Non-current		Current	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Contract assets	346	-	135	-
Contract liabilities	6,306	-	1,095	-

Non-current assets deriving from contracts with customers refer mainly to assets under development resulting from public-to-private service concession arrangements recognized in accordance with IFRIC 12 and which have an expiration of beyond 12 months (€336 million). These cases arise when the concession holder has not yet obtained the full right to recognize the asset from the grantor at the hypothetical conclusion of the concession arrangement in that there remains a contractual obligation to ensure that the asset becomes operational. It should also be noted that the figure at December 31, 2018 includes investments for the period in the amount of €271 million, €80 million of which deriving from the acquisition of Enel Distribuição São Paulo.

Current assets deriving from contracts with customers mainly concern assets in respect of construction contracts (€109 million) that are still open, payment of which is subject to satisfaction of a performance obligation.

Non-current liabilities deriving from contracts with customers concern the recognition as at January 1, 2018, in application of IFRS 15 and taking account of the regulatory obligations applicable in the various jurisdictions in which the Group operates, of the contract liabilities related to revenue from contracts for connection to the electricity grid, which had previously been recognized in profit or loss at the moment of the connection. The figure at December 31, 2018 is mainly attributable to distribution in Italy (€3,613 million), Spain (€2,251 million), and Romania (€405 million). For more information, see note 2 to the consolidated financial statements.

Current liabilities deriving from contract with customers include the contract liabilities related to revenue from connections to the electricity grid expiring within 12 months in the amount of €726 million recognized in Italy and Spain, as well as liabilities for construction work in progress (€326 million).

The comparative figures for 2017 have not been reclassified, given that IFRS 15 has been adopted initially using the simplified approach.

26. Other non-current financial assets - *€5,769 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Equity investments in other companies measured at fair value	63	58	5	8.6%
Receivables and securities included in net financial debt (see note 26.1)	3,272	2,444	828	33.9%
Service concession arrangements	2,415	1,476	939	63.6%
Non-current prepaid financial expense	19	24	(5)	-20.8%
Total	**5,769**	**4,002**	**1,767**	**44.2%**

Total non-current financial assets increased by €1,767 million in 2018 as compared with the previous year. In particular, the change reflects an increase in receivables included in net financial debt, as discussed in note 26.1, and service concession arrangements, the €855 million increase in which is mainly attributable to the consolidation of Enel Distribuição São Paulo. Service concession arrangements concern amounts paid to the licensing authorities for the construction and/or improvement of public-service infrastructures involved in concession arrangements, which have been recognized in accordance with IFRIC 12.

Equity investments in other companies measured at fair value include, in accordance with IFRS 9, the balance of equity investments in other companies previously measured at cost. The change is mainly due to the adjustments detailed below:

Millions of euro

	at Dec. 31, 2018	% held	at Dec. 31, 2017	% held	Change
Galsi	14	17.6%	17	17.6%	(3)
Empresa Propietaria de la Red SA	17	11.1%	5	11.1%	12
European Energy Exchange	8	2.2%	6	2.2%	2
Athonet Srl	7	16.0%	-	-	7
Korea Line Corporation	2	0.3%	2	0.3%	-
TAE Technologies Inc.	1	1.2%	5	1.2%	(4)
Echelon	-	-	1	7.1%	(1)
Other	14		22		(8)
Total	**63**		**58**		**5**

26.1 Other non-current financial assets included in net financial debt

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Securities at FVOCI	360	382	(22)	-5.8%
Financial receivables in respect of Spanish electrical system deficit	-	3	(3)	-
Other financial receivables	2,912	2,059	853	41.4%
Total	**3,272**	**2,444**	**828**	**33.9%**

Securities measured at FVOCI represent financial instruments in which the Dutch insurance companies invest a portion of their liquidity.

Other financial receivables increased by €853 million in 2018 compared with the previous year. The change mainly reflects the following factors:

- an increase of €427 million in the financial receivable held by Enel Finance International from the "Project Kino" companies following their deconsolidation;
- an adjustment in the fair value, in the amount of €320 million, of the financial receivable arising as a result of the sale of the 50% stake in Slovak Power Holding following the update to the pricing formula included in the agreements with EPH. The change for the year takes account of a number of parameters, including the evolution of Slovenské elektrárne's net financial position, trends in energy prices on the Slovakian market, the levels of operating efficiency of Slovenské elektrárne based on benchmarks established in the agreement, and the enterprise value of Mochovce units 3 and 4.

These increases were only partially offset by the decrease in security deposits of €106 million.

27. Other non-current assets - *€1,272 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Receivables from institutional market operators	200	200	-	-
Other receivables	1,072	864	208	24.1%
Total	**1,272**	**1,064**	**208**	**19.5%**

Receivables from institutional market operators came to €200 million at December 31, 2018, remaining essentially unchanged compared with the previous year.

At December 31, 2018, other receivables mainly regarded tax receivables in the amount of €231 million (€261 million at December 31, 2017), security deposits in the amount of €307 million (€189 million at the end of 2017), and non-monetary grants to be received in respect of green certificates totaling €50 million (€61 million at December 31, 2017).

The change for the year mainly reflects the consolidation of Enel Distribuição São Paulo and the contingent consideration (€91 million) related to development of new projects (the High Lonesome, Outlaw and Road Runner wind farms).

28. Inventories - *€2,818 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Raw materials, consumables and supplies:				
- fuel	1,260	1,215	45	3.7%
- materials, equipment and other inventories	1,345	1,136	209	18.4%
Total	**2,605**	**2,351**	**254**	**10.8%**
Environmental certificates:				
- CO_2 emissions allowances	119	287	(168)	-58.5%
- green certificates	16	14	2	14.3%
- white certificates	-	1	(1)	-
Total	**135**	**302**	**(167)**	**-55.3%**
Buildings available for sale	57	62	(5)	-8.1%
Payments on account	21	7	14	-
TOTAL	**2,818**	**2,722**	**96**	**3.5%**

Raw materials, consumables and supplies amounted to €2,605 million at December 31, 2018 (€2,351 million in 2017), and consist of fuel inventories, particularly natural gas, to cover the requirements of the generation companies and trading activities, as well as materials and equipment for the operation, maintenance and construction of plants and distribution networks.

During the year, the overall increase in inventories (€96 million) was mainly due to the increase in the latter of these components, as well as an increase in natural gas inventories.

Inventories of CO_2 emissions allowances, on the other hand, decreased due to compliance by the Group and lower allowances for trading purposes.

Buildings available for sale are related to the remaining units from the Group's real estate portfolio and are primarily civil buildings.

29. Trade receivables - *€13,587 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Customers:				
- sale and transport of electricity	8,556	11,123	(2,567)	-23.1%
- distribution and sale of gas	1,145	2,029	(884)	-43.6%
- other assets	3,687	1,234	2,453	-
Total customer receivables	**13,388**	**14,386**	**(998)**	**-6.9%**
Trade receivables due from associates and joint arrangements	199	143	56	39.2%
TOTAL	**13,587**	**14,529**	**(942)**	**-6.5%**

Trade receivables from customers are recognized net of allowances for doubtful accounts, which totaled €2,828 million at the end of the year, as compared with a balance of €2,402 million at the end of the previous year. Specifically, the reduction for the period was mainly due to lower receivables for the sale and transport of electricity and for the sale of natural gas, to an increase in allowances, and to the increased use of factoring.

For more information on trade receivables, see note 43 "Financial instruments".

30. Other current financial assets - *€5,160 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Current financial assets included in net financial debt	5,003	4,458	545	12.2%
Other	157	156	1	0.6%
Total	**5,160**	**4,614**	**546**	**11.8%**

30.1 Other current financial assets included in net financial debt - *€5,003 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Short-term portion of long-term financial receivables	1,522	1,094	428	39.1%
Receivables for factoring	-	42	(42)	-
Securities at FVOCI	72	69	3	4.3%
Financial receivables and cash collateral	2,559	2,664	(105)	-3.9%
Other	850	589	261	44.3%
Total	**5,003**	**4,458**	**545**	**12.2%**

Other current financial assets included in net financial debt totaled €5,003 million (€4,458 million at December 31, 2017).

The change is mainly attributable to the increase in the short-term portion of long-term financial receivables, which increased by €428 million due mainly to the increase in financial receivables from the Spanish electricity system for the financing of the rate deficit, as well as to the consolidation of Enel Distribuição São Paulo.

The aggregate "Other" also increased, by €261 million, due to the increase in financial receivables recognized by Enel Finance International from the Mexican companies of "Project Kino", which are accounted for using the equity method.

Financial receivables and cash collateral, on the other hand, decreased by €105 million following a reduction in cash collateral paid to counterparties for transactions in over-the-counter derivatives on interest rates and exchange rates.

31. Other current assets - *€2,983 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Receivables from institutional market operators	745	853	(108)	-12.7%
Advances to suppliers	299	217	82	37.8%
Receivables due from employees	30	20	10	50.0%
Receivables due from others	1,139	872	267	30.6%
Sundry tax receivables	622	517	105	20.3%
Accrued operating income and prepaid expenses	148	150	(2)	-1.3%
Revenue for construction contracts	-	66	(66)	-
Total	**2,983**	**2,695**	**288**	**10.7%**

Receivables from institutional market operators include receivables in respect of the Italian system in the amount of €526 million (€575 million at December 31, 2017) and the Spanish system in the amount of €185 million (€260 million at December 31, 2017). The reduction for the period mainly reflects the collection of the 2017 social bonus reimbursement, relating to financial years 2014, 2015 and 2016 following a ruling in favor of Endesa. Including the portion of receivables classified as long-term in the amount of €200 million (€200 million in 2017), receivables due from institutional market operators at December 31, 2018 totaled €945 million (€1,053 million at December 31, 2017), with payables of €4,117 million (€5,029 million at December 31, 2017).

The €267 million increase in receivables due from others is mainly attributable to the sale of the eight renewables companies in Mexico, as this item includes the receivable of Enel Green Power SpA from the institutional investor Caisse de dépôt et placement du Québec and from the investment vehicle CKD Infraestructura México SA de Cv.

The increase of €105 million in sundry tax receivables was due to greater VAT prepayments compared with the amount paid in 2017.

Revenue for construction contracts at December 31, 2018 (in the amount of €135 million) has been reclassified to assets deriving from contracts with customers following application of the simplified approach allowed under IFRS 15. For this reason, the balances at December 31, 2017 (€66 million) have not been reclassified.

32. Cash and cash equivalents - *€6,630 million*

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €52 million essentially in respect of deposits pledged to secure transactions carried out.

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Bank and post office deposits	5,531	6,487	(956)	-14.7%
Cash and cash equivalents on hand	328	343	(15)	-4.4%
Other investments of liquidity	771	191	580	-
Total	**6,630**	**7,021**	**(391)**	**-5.6%**

33. Assets and disposal groups classified as held for sale - *€688 million and €407 million*

Changes in assets held for sale during 2018 may be broken down as follows:

Millions of euro

	at Dec. 31, 2017	Reclassification from/to current and non-current assets	Disposals and change in scope of consolidation	Other changes	**at Dec. 31, 2018**
Property, plant and equipment	1,501	550	(1,884)	444	611
Intangible assets	87	(45)	(36)	(1)	5
Goodwill	38	23	(38)	-	23
Deferred tax assets	109	1	(118)	8	-
Investments accounted for using the equity method	6	(6)	-	-	-
Non-current financial assets	-	-	-	-	-
Other non-current assets	2	(2)	-	1	1
Cash and cash equivalents	30	18	(105)	78	21
Current financial assets	3	-	-	(3)	-
Inventories, trade receivables, and other current assets	193	30	(231)	35	27
Total	**1,970**	**569**	**(2,412)**	**561**	**688**

Changes in liabilities in 2018 were as follows:

Millions of euro

	at Dec. 31, 2017	Reclassification from/to current and non-current assets	Disposals and change in scope of consolidation	Other changes	**at Dec. 31, 2018**
Long-term borrowings	416	(282)	(1,429)	1,394	99
Employee benefits	-	-	-	-	-
Provisions for risks and charges, non-current portion	-	2	(1)	-	1
Deferred tax liabilities	113	(14)	(116)	17	-
Non-current financial liabilities	-	-	-	-	-
Other non-current liabilities	58	(53)	-	-	5
Short-term borrowings	980	(685)	-	(11)	284
Other current financial liabilities	2	3	-	(3)	2
Provisions for risks and charges, current portion	-	-	-	-	-
Trade payables and other current liabilities	160	12	(41)	(115)	16
Total	**1,729**	**(1,017)**	**(1,587)**	**1,282**	**407**

Assets and liabilities held for sale at December 31, 2018 amount to €688 million and €407 million respectively and mainly regard the carrying amount of three solar plants in Brazil, which, following decisions by management, meet the requirements of IFRS 5 for classification as held for sale.

The change for the period essentially concerns the sale of an 80% stake in eight Mexican project companies ("Project Kino") classified as held for sale as of December 31, 2017, and now accounted for using the equity method for the remaining share attributable to the Group, and the reclassification of the project companies relating to the Kafireas wind farm as no longer available for sale as the conditions for the sale were no longer met.

34. Shareholders' equity - *€47,852 million*

34.1 Equity attributable to shareholders of the Parent Company - *€31,720 million*

Share capital - *€10,167 million*

At December 31, 2018, the share capital of Enel SpA – considering that as at December 31, 2017, there were no approved stock option plans (and thus no options exercised) – amounted to €10,166,679,946 fully subscribed and paid up, represented by the same number of ordinary shares with a par value of €1.00 each.

At December 31, 2018, based on the shareholders register and the notices submitted to CONSOB and received by the company pursuant to Article 120 of Legislative Decree 58 of February 24, 1998, as well as other available information, shareholders with an interest of greater than 3% in the company's share capital were the Ministry for the Economy and Finance (with a 23.585% stake). In addition, BlackRock Inc. reported that it held, through subsidiaries, an "aggregate investment" (represented by shares with voting rights, shares in securities lending arrangements and other long positions with cash settlement involving contracts for differences) of 4.827% as at September 5, 2018 for asset management purposes. As from that moment, BlackRock is exempt from the requirements to notify significant investments in Enel pursuant to Article 119-*bis*, paragraphs 7 and 8, of the Issuers' Regulation approved with CONSOB Resolution 11971 of May 14, 1999.

Other reserves - *€1,700 million*

Share premium reserve - *€7,489 million*

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve contains, in the case of the issue of shares at a price above par, the difference between the issue price of the shares and their par value, including those resulting from conversion from bonds. The reserve, which is a capital reserve, may not be distributed until the legal reserve has reached the threshold established under Article 2430 of the Italian Civil Code.

Legal reserve - *€2,034 million*

The legal reserve is formed of the part of net income that, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends.

Other reserves - *€2,262 million*

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company.

Pursuant to Article 47 of the Uniform Income Tax Code (*Testo Unico Imposte sul Reddito*, or "TUIR"), this amount does not constitute taxable income when distributed.

Reserve from translation of financial statements in currencies other than euro - *€(3,317) million*

The decrease for the year, of €703 million, was mainly due to the net strengthening of the functional currency against the foreign currencies used by subsidiaries.

Reserves from measurement of cash flow hedge financial instruments - *€(1,745) million*

These include the net charges recognized in equity from the measurement of cash flow hedge derivatives. The cumulative tax effect is equal to €513 million.

Reserves from measurement of costs of hedging financial instruments - *€(258) million*

As of January 1, 2018, in application of IFRS 9, these reserves include the change in fair value of currency basis points and forward points.

Reserves from measurement of financial instruments at FVOCI - *€16 million*

These include net unrealized income from the measurement at fair value of financial assets.

The increase of €36 million for the year is mainly attributable to the sale of the 7.1% stake in Echelon Corporation.

There is no cumulative tax effect on the reserve in view of the incentivized tax rules in the countries in which those instruments are held.

Reserve from equity investments accounted for using the equity method - *€(63) million*

The reserve reports the share of comprehensive income to be recognized directly in equity of companies accounted for using the equity method. The cumulative tax effect is equal to €22 million.

Reserve from remeasurement of net liabilities/(assets) of defined benefit plans - *€(714) million*

This reserve includes all actuarial gains and losses, net of tax effects. The change is mainly attributable to the decrease in net actuarial losses recognized during the period, mainly reflecting changes in the discount rate. The cumulative tax effect is equal to €121 million.

Reserve from disposal of equity interests without loss of control - *€(2,381) million*

This item mainly reports:

- the gain posted on the public offering of Enel Green Power shares, net of expenses associated with the disposal and the related taxation;
- the sale of minority interests recognized as a result of the Enersis (now Enel Américas and Enel Chile) capital increase;
- the capital loss, net of expenses associated with the disposal and the related taxation, from the public offering of 21.92% of Endesa;
- the income from the disposal of the minority interest in Enel Green Power North America Renewable Energy Partners;
- the effects of the merger into Enel Américas of Endesa Américas and Chilectra Américas;
- the disposal to third parties of a minority interest without loss of control in Enel Green Power North America Renewable Energy Partners.

The change for the period amounted to €17 million, and refers to the income deriving from the sale of minority interests in certain South African companies.

Reserve from acquisitions of non-controlling interests - *€(1,623) million*

This reserve mainly includes the surplus of acquisition prices with respect to the carrying value of the equity acquired following the acquisition from third parties of further interests in companies already controlled in South America and in Italy (Enel Green Power SpA).

The decrease for the period, of €460 million, mainly reflects to the effects of:

- the "Elqui" transaction, which resulted in a consolidated increase in the total investment held in Enel Chile of 1.3%, the combined effect of the sale of 38% of Enel Green Power Chile, following the merger of Enel Green Power Latin America SA into Enel Chile, and of the public tender for Enel Generación Chile, which resulted in the purchase of an additional 33.6%;
- the increase in the 2.43% interest in Enel Américas based on the provisions of the two share swap agreements with a financial institution in order to increase the stake in Enel Américas to a maximum of 5%.

Retained earnings/(Loss carried forward)
- €19,853 million

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

The table below shows the changes in gains and losses recognized directly in other comprehensive income, including non-controlling interests, with specific reporting of the related tax effects.

Millions of euro

	at Dec. 31, 2017			Change						**at Dec. 31, 2018**		
	Total	*Of which shareholders of the Parent Company*	*Of which non-controlling interests*	Gains/(Losses) recognized in equity for the year	Released to income statement	Taxes	**Total**	*Of which shareholders of the Parent Company*	*Of which non-controlling interests*	**Total**	*Of which shareholders of the Parent Company*	*Of which non-controlling interests*
Reserve from translation of financial statements in currencies other than euro	**(5,422)**	*(2,597)*	*(2,825)*	(1,287)	-	-	**(1,287)**	*(609)*	*(678)*	**(6,709)**	*(3,206)*	*(3,503)*
Reserves from measurement of cash flow hedge financial instruments	**(1,455)**	*(1,230)*	*(225)*	(101)	(519)	68	**(552)**	*(491)*	*(61)*	**(2,007)**	*(1,721)*	*(286)*
Reserves from measurement of costs of hedging financial instruments	**(348)**	*(348)*	-	83	-	-	**83**	*90*	*(7)*	**(265)**	*(258)*	*(7)*
Reserves from measurement of financial assets at FVOCI	**(1)**	-	*(1)*	(3)	-	-	**(3)**	*(3)*	-	**(4)**	*(3)*	*(1)*
Share of OCI of associates accounted for using the equity method	**(52)**	*(54)*	*2*	(62)	-	5	**(57)**	*(58)*	*1*	**(109)**	*(112)*	*3*
Reserves from measurement of equity investments in other companies	**(23)**	*(23)*	-	12	-	-	**12**	*12*	-	**(11)**	*(11)*	-
Reserve from remeasurement of net liabilities/(assets) of defined benefit plans	**(853)**	*(664)*	*(189)*	(172)	-	52	**(120)**	*(63)*	*(57)*	**(973)**	*(727)*	*(246)*
Total gains/(losses) recognized in equity	**(8,154)**	***(4,916)***	***(3,238)***	**(1,530)**	**(519)**	**125**	**(1,924)**	***(1,122)***	***(802)***	**(10,078)**	***(6,038)***	***(4,040)***

34.2 Dividends

	Amount distributed (millions of euro)	Dividend per share (euro)
Net dividends paid in 2017		
Dividends for 2016	1,830	0.18
Interim dividends for 2017 (1)	-	-
Special dividends	-	-
Total dividends paid in 2017	**1,830**	**0.18**
Net dividends paid in 2018		**-**
Dividends for 2017	2,410	0.24
Interim dividends for 2018 (2)	-	-
Special dividends	-	-
Total dividends paid in 2018	**2,410**	**0.24**

(1) Approved by the Board of Directors on November 8, 2017, and paid as from January 24, 2018 (interim dividend of €0.105 per share for a total of €1,068 million).

(2) Approved by the Board of Directors on November 6, 2018, and paid as from January 23, 2019 (interim dividend of €0.14 per share for a total of €1,423 million).

The dividend for 2018, equal to €0.28 per share, amounting to a total of €2,847 million (of which €0.14 per share, for a total of €1,423 million, already paid as an interim dividend as from January 23, 2019), has been proposed to and resolved by the Shareholders' Meeting of May 16, 2019, at a single call.

Capital management

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

In this context, the Group manages its capital structure and adjusts that structure when changes in economic conditions so require. There were no substantive changes in objectives, policies or processes in 2018.

To this end, the Group constantly monitors developments in the level of its debt in relation to equity. The situation at December 31, 2018 and 2017 is summarized in the following table.

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change
Non-current financial position	48,983	42,439	6,544
Net current financial position	(4,622)	(2,585)	(2,037)
Non-current financial receivables and long-term securities	(3,272)	(2,444)	(828)
Net financial debt	**41,089**	**37,410**	**3,679**
Equity attributable to shareholders of the Parent Company	31,720	34,795	(3,075)
Non-controlling interests	16,132	17,366	(1,234)
Shareholders' equity	**47,852**	**52,161**	**(4,309)**
Debt/equity ratio	**0.86**	**0.72**	**-**

The percentage increase in the use of debt is attributable to the reduction in the Group's consolidated shareholders' equity of €3,705 million mainly due to the retrospective application of IFRS 9 and IFRS 15 (for €3,074 million) and partly to the increase in net financial debt.

See note 41 for a breakdown of the individual items in the table.

34.3 Non-controlling interests - *€16,132 million*

The following table reports the composition of non-controlling interests by Region.

Millions of euro	**Non-controlling interests**		**Net income attributable to non-controlling interests**	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Italy	7	4	-	-
Iberia	6,405	6,954	386	396
South America	8,185	8,934	1,062	1,020
Europe and Euro-Mediterranean Affairs	908	1,002	68	67
North and Central America	402	387	37	60
Africa, Asia and Oceania	225	85	8	7
Total	**16,132**	**17,366**	**1,561**	**1,550**

It should be noted that the decrease in the share attributable to non-controlling interests mainly refers to the effect of exchange rates, to the dividends in South America and of Endesa, and the change in the scope of consolidation associated with the "Elqui" transaction.

35. Borrowings

Millions of euro	Non-current		Current	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Long-term borrowings	48,983	42,439	3,367	7,000
Short-term borrowings	-	-	3,616	1,894
Total	**48,983**	**42,439**	**6,983**	**8,894**

For more information on the nature of borrowings, see note 43 "Financial instruments".

36. Employee benefits - *€3,187 million*

The Group provides its employees with a variety of benefits, including deferred compensation benefits, additional months' pay for having reached age limits or eligibility for old-age pension, loyalty bonuses for achievement of seniority milestones, supplemental retirement and healthcare plans, residential electricity discounts and similar benefits. More specifically:

- for Italy, the item "Pension benefits" regards estimated accruals made to cover benefits due under the supplemental retirement schemes of retired executives and the benefits due to personnel under law or contract at the time the employment relationship is terminated. For the foreign companies, the item reports post-employment benefits, of which the most material regard the pension benefit schemes of Endesa in Spain, which break down into three types that differ on the basis of employee seniority and company. In general, under the framework agreement of October 25, 2000, employees participate in a specific defined contribution pension plan and, in cases of disability or death of employees in service, a defined benefit plan which is covered by appropriate insurance policies. In addition, Endesa has two other limited-enrollment plans (i) for current and retired Endesa employees covered by the electricity industry collective bargaining agreement prior to the changes introduced with the framework agreement noted earlier and (ii) for employees of the former Catalan companies (Fecsa/Enher/HidroEmpordà). Both are defined benefit plans and benefits are fully ensured, with the exception of the former plan for benefits in the event of the death of a retired employee. Finally, the Brazilian companies have also established defined benefit plans;
- the item "Electricity discount" comprises benefits regarding electricity supply associated with foreign companies. For Italy, that benefit, which was granted until the end of 2015 to retired employees only, was unilaterally cancelled;
- the item "Health insurance" reports benefits for current or retired employees covering medical expenses;
- "Other benefits" mainly regard the loyalty bonus, which is adopted in various countries and for Italy is represented by the estimated liability for the benefit entitling employees covered by the electricity workers national collective bargaining agreement to a bonus for achievement of seniority milestones (25th and 35th year of service). It also includes other incentive plans, which provide for the award to certain company managers of a monetary bonus subject to specified conditions.

The following table reports changes in the defined benefit obligation for post-employment and other long-term employee benefits at December 31, 2018, and December 31, 2017, respectively, as well as a reconciliation of that obligation with the actuarial liability.

Millions of euro	2018				
	Pension benefits	Electricity discount	Health insurance	Other benefits	**Total**
CHANGES IN ACTUARIAL OBLIGATION					
Actuarial obligation at the start of the year	**2,413**	**739**	**253**	**254**	**3,659**
Current service cost	16	4	5	36	**61**
Interest expense	247	14	10	5	**276**
Actuarial (gains)/losses arising from changes in demographic assumptions	(2)	-	-	-	**(2)**
Actuarial (gains)/losses arising from changes in financial assumptions	213	(10)	4	(5)	**202**
Experience adjustments	21	48	2	7	**78**
Past service cost	(1)	-	-	7	**6**
(Gains)/Losses arising from settlements	-	-	-	-	**-**
Exchange differences	(114)	(1)	(9)	(6)	**(130)**
Employer contributions	-	-	-	-	**-**
Employee contributions	2	-	-	-	**2**
Benefits paid	(370)	(30)	(12)	(65)	**(477)**
Other changes	2,647	3	-	(2)	**2,648**
Liabilities classified as held for sale	-	-	-	-	**-**
Actuarial obligation at year end (A)	**5,072**	**767**	**253**	**231**	**6,323**
CHANGES IN PLAN ASSETS					
Fair value of plan assets at the start of the year	**1,317**	**-**	**-**	**-**	**1,317**
Interest income	173	-	-	-	**173**
Expected return on plan assets excluding amounts included in interest income	70	-	-	-	**70**
Exchange differences	(82)	-	-	-	**(82)**
Employer contributions	171	30	12	24	**237**
Employee contributions	2	-	-	-	**2**
Benefits paid	(370)	(30)	(12)	(24)	**(436)**
Other payments	-	-	-	-	**-**
Change in scope of consolidation	1,879	-	-	-	**1,879**
Fair value of plan assets at year end (B)	**3,160**	**-**	**-**	**-**	**3,160**
EFFECT OF ASSET CEILING					
Asset ceiling at the start of the year	**64**	**-**	**-**	**-**	**64**
Interest income	4	-	-	-	**4**
Change in asset ceiling	(38)	-	-	-	**(38)**
Exchange differences	(6)	-	-	-	**(6)**
Change in scope of consolidation	-	-	-	-	**-**
Asset ceiling at year end (C)	**24**	**-**	**-**	**-**	**24**
Net liability in balance sheet (A-B+C)	**1,936**	**767**	**253**	**231**	**3,187**

2017				
Pension benefits	Electricity discount	Health insurance	Other benefits	**Total**
2,440	**847**	**231**	**284**	**3,802**
17	5	5	47	**74**
118	16	11	7	**152**
2	-	(2)	(1)	**(1)**
54	30	3	2	**89**
(35)	(138)	15	(5)	**(163)**
5	-	-	-	**5**
-	-	-	-	**-**
(124)	(1)	(12)	(6)	**(143)**
-	-	-	-	**-**
1	-	-	-	**1**
(226)	(22)	(12)	(79)	**(339)**
161	2	14	5	**182**
-	-	-	-	**-**
2,413	**739**	**253**	**254**	**3,659**
1,272	**-**	**-**	**-**	**1,272**
83	-	-	-	**83**
53	-	-	-	**53**
(94)	-	-	-	**(94)**
142	22	12	23	**199**
1	-	-	-	**1**
(226)	(22)	(12)	(23)	**(283)**
-	-	-	-	**-**
86	-	-	-	**86**
1,317	**-**	**-**	**-**	**1,317**
54	**-**	**-**	**-**	**54**
4	-	-	-	**4**
16	-	-	-	**16**
(9)	-	-	-	**(9)**
-	-	-	-	**-**
65	**-**	**-**	**-**	**65**
1,161	**739**	**253**	**254**	**2,407**

Millions of euro

	2018	2017
(Gains)/Losses charged to profit or loss		
Service cost and past service cost	39	40
Net interest expense	107	73
(Gains)/Losses arising from settlements	-	-
Actuarial (gains)/losses on other long-term benefits	28	39
Other changes	(4)	(4)
Total	**170**	**148**

Millions of euro

	2018	2017
Change in (gains)/losses in OCI		
Expected return on plan assets excluding amounts included in interest income	(70)	(53)
Actuarial (gains)/losses on defined benefit plans	282	(71)
Changes in asset ceiling excluding amounts included in interest income	(38)	16
Other changes	(2)	9
Total	**172**	**(99)**

The change in cost recognized through profit or loss was equal to €22 million. The impact on the income statement is, therefore, greater than in 2017, due mainly to the effect of interest on pension funds for Enel Distribuição São Paulo in Brazil.

The liability recognized in the balance sheet at the end of the year is reported net of the fair value of plan assets, amounting to €3,159 million at December 31, 2018. Those assets, which are entirely in Spain and Brazil, break down as follows.

	2018	2017
Investments quoted in active markets		
Equity instruments	8%	4%
Fixed-income securities	65%	37%
Investment property	4%	5%
Other	-	-
Unquoted investments		
Assets held by insurance undertakings	-	-
Other	23%	54%
Total	**100%**	**100%**

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits and the plan assets, which are consistent with those used the previous year, are set out in the following table.

	Italy	Iberia	South America	Other countries	Italy	Iberia	South America	Other countries
			2018				2017	
Discount rate	0.25%-1.50%	0.21%-1.75%	4.70%-9.15%	1.50%-8.77%	0.20%-1.50%	0.65%-1.67%	5.00%-9.93%	1.50%-7.18%
Inflation rate	1.50%	2.00%	3.00%-4.00%	1.50%-4.14%	1.50%	2.00%	3.00%-4.25%	1.50%-4.22%
Rate of wage increases	2.50%	2.00%	3.80%-5.00%	3.00%-4.20%	1.50%-3.50%	2.00%	3.00%-7.38%	3.00%-4.22%
Rate of increase in healthcare costs	2.50%	3.20%	7.12%-8.00%	-	2.50%	3.20%	3.00%-8.00%	-
Expected rate of return on plan assets	-	1.75%	8.63%-9.04%	-	-	1.65%	9.72%-9.78%	-

The following table reports the outcome of a sensitivity analysis that demonstrates the effects on the defined benefit obligation of changes reasonably possible at the end of the year in the actuarial assumptions used in estimating the obligation.

Millions of euro	Pension benefits	Electricity discount	Health insurance	Other benefits	Pension benefits	Electricity discount	Health insurance	Other benefits
		at Dec. 31, 2018				at Dec. 31, 2017		
Decrease of 0.5% in discount rate	280	63	9	3	155	60	15	4
Increase of 0.5% in discount rate	(243)	(59)	(12)	(9)	(121)	(55)	(18)	(10)
Increase of 0.5% in inflation rate	(5)	(59)	(3)	(6)	(20)	(63)	(14)	(9)
Decrease of 0.5% in inflation rate	32	61	3	2	47	61	12	1
Increase of 0.5% in remuneration	10	(2)	(3)	1	32	(1)	-	1
Increase of 0.5% in pensions currently being paid	11	(2)	(3)	(3)	35	(1)	-	(3)
Increase of 1% in healthcare costs	-	-	32	-	-	-	28	-
Increase of 1 year in life expectancy of active and retired employees	155	25	8	(3)	54	25	147	(3)

The sensitivity analysis used an approach that extrapolates the effect on the defined benefit obligation of reasonable changes in an individual actuarial assumption, leaving the other assumptions unchanged.

The contributions expected to be paid into defined benefit plans in the subsequent year amount to €28 million.

The following table reports expected benefit payments in the coming years for defined benefit plans.

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017
Within 1 year	436	197
In 1-2 years	429	184
In 2-5 years	1,273	591
More than 5 years	2,017	1,030

37. Provisions for risks and charges - *€6,493 million*

Millions of euro

	at Dec. 31, 2018		at Dec. 31, 2017	
	Non-current	Current	Non-current	Current
Provision for litigation, risks and other charges:				
- nuclear decommissioning	552	-	538	-
- retirement, removal and site restoration	986	71	814	64
- litigation	1,315	191	861	70
- environmental certificates	-	27	-	29
- taxes and duties	409	23	300	23
- other	742	603	778	637
Total	**4,004**	**915**	**3,291**	**823**
Provision for early retirement incentives	1,177	397	1,530	387
TOTAL	**5,181**	**1,312**	**4,821**	**1,210**

Millions of euro	at Dec. 31, 2017	Accruals	Reversals	Utilization	Unwinding of interest	Change in scope of consolidation	Translation adjustment	Other changes	Reclassifications of assets held for sale	**at Dec. 31, 2018**
Provision for litigation, risks and other charges:										
- nuclear decommissioning	538	-	-	-	8	-	-	6	-	552
- retirement, removal and site restoration	878	21	(16)	(30)	7	1	(8)	206	(2)	1,057
- litigation	931	214	(184)	(112)	56	462	(39)	178	-	1,506
- environmental certificates	29	27	(8)	(21)	-	-	-	-	-	27
- taxes and duties	323	32	(18)	(36)	3	41	3	84	-	432
- other	1,415	237	(112)	(234)	55	20	(63)	27	-	1,345
Total	**4,114**	**531**	**(338)**	**(433)**	**129**	**524**	**(107)**	**501**	**(2)**	**4,919**
Provision for early retirement incentives	1,917	96	(3)	(426)	(4)	-	-	(6)	-	1,574
TOTAL	**6,031**	**627**	**(341)**	**(859)**	**125**	**524**	**(107)**	**495**	**(2)**	**6,493**

Nuclear decommissioning provision

At December 31, 2018, the provision reflected solely the costs that will be incurred at the time of decommissioning of nuclear plants by Endesa, a Spanish public enterprise responsible for such activities in accordance with Royal Decree 1349/2003 and Law 24/2005. Quantification of the costs is based on the standard contract between Endesa and the electricity companies approved by the Ministry for the Economy in September 2001, which regulates the retirement and closing of nuclear power plants. The time horizon envisaged, three years, corresponds to the period from the termination of power generation to the transfer of plant management to Endesa (so-called post-operational costs) and takes into account, among the various assumptions used to estimate the amount, the quantity of unused nuclear fuel expected at the date of closure of each of the Spanish nuclear plants on the basis of the provisions of the concession agreement.

Non-nuclear plant retirement and site restoration provision

The provision for non-nuclear plant retirement and site restoration represents the present value of the estimated cost for the retirement and removal of non-nuclear plants where there is a legal or constructive obligation to do so. The provision mainly regards the Endesa Group, Enel Produzione and the companies in South America.

Litigation provision

The litigation provision covers contingent liabilities in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The balance for litigation mainly regards disputes concerning service quality and disputes with employees, end users or suppliers of the companies in Spain (€170 million), Italy (€182 million) and South America (€1,145 million).

The increase compared with the previous year, equal to €575 million, mainly reflects the change in the scope of consolidation with the acquisition of Enel Distribuição São Paulo and provisions for disputes with employees, partly offset by reversals and uses, primarily in Iberia, Italy and South America.

Provision for environmental certificates

The provision for environmental certificates covers costs in respect of shortfalls in the environmental certificates need for compliance with national or supranational environmental protection requirements and mainly regards Enel Energia.

Provision for charges in respect of taxes and duties

The provision for charges in respect of taxes and duties reports the estimated liability deriving from tax disputes concerning direct and indirect taxes. The balance of the provision also includes the provision for current and potential disputes concerning local property tax – whether the *Imposta Comunale sugli Immobili* ("ICI") or the new *Imposta Municipale Unica* ("IMU") – in Italy. The Group has taken due account of the criteria introduced with circular 6/2012 of the Public Land Agency (which resolved interpretive issues concerning the valuation methods for movable assets considered relevant for property registry purposes, including certain assets typical to generation plants, such as turbines) in estimating the liability for such taxes, both for the purposes of quantifying the probable risk associated with pending litigation and generating a reasonable valuation of probable future charges on positions that have not yet been assessed by Land Agency offices and municipalities.
The increase compared with the previous year, equal to €109 million, mainly reflects the change in the scope of consolidation with the acquisition of Enel Distribuição São Paulo, partly offset by reversals and uses, primarily in Spain and Italy.

Other provisions

Other provisions cover various risks and charges, mainly in connection with regulatory disputes and disputes with local authorities regarding various duties and fees or other charges.

The decrease of €70 million for the year is mainly attributable to the reversal of part of the provision allocated by e-distribuzione for the charges to be paid in relation to exceptional weather events, to utilizations by Enel Global Trading of the provisions linked to the abandonment of the upstream gas projects in Algeria, to the reversal by Enel Energia of the rebranding provision following the transfer of points of sale from Servizio Elettrico Nazionale to Enel Energia due to the abolition of the regulated market by 2020, which was partly offset by the provision allocated by Servizio Elettrico Nazionale following penalty proceedings initiated by the antitrust authority and by the change in scope of consolidation following the acquisition of Enel Distribuição São Paulo.

Provision for early retirement incentives

The provision for early retirement incentives includes the estimated charges related to binding agreements for the voluntary termination of employment contracts in response to organizational needs. The reduction of €343 million for the year reflects, among other factors, uses for incentive provisions established in Spain and Italy in previous years.
In Italy, the latter is largely associated with the union-company agreements signed in September 2013 and December 2015, implementing, for a number of companies in Italy, the mechanism provided for under Article 4, paragraphs 1-7 *ter*, of Law 92/2012 (the Fornero Act). The latter agreement envisages the voluntary termination, in Italy, of about 6,100 employees in 2016-2020.
In Spain, the provisions regard the expansion, in 2015, of the *Acuerdo de Salida Voluntaria* (ASV) introduced in Spain in 2014. The ASV mechanism was agreed in Spain in connection with Endesa's restructuring and reorganization plan, which provides for the suspension of the employment contract with tacit annual renewal. With regard to that plan, on December 30, 2014, the company had signed an agreement with union representatives in which it undertook to not exercise the option to request a return to work at subsequent annual renewal dates for the employees participating in the mechanism.

38. Other non-current liabilities - *€1,901 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Accrued operating expenses and deferred income	484	929	(445)	-47.9%
Other items	1,417	1,074	343	31.9%
Total	**1,901**	**2,003**	**(102)**	**-5.1%**

The reduction of €445 million in accrued operating expenses and deferred income is mainly attributable to the reclassification of deferred income for fees received from customers to liabilities deriving from contracts with customers in application of IFRS 15.

The increase in other items mainly refers to payables due to tax partnerships recognized by the renewable energy companies in North America in the amount of €325 million as a result of the start of operations at the Diamond Vista, HillTopper, Rattlesnake Creek and Fenner plants.

39. Trade payables - *€13,387 million*

The item amounted to €13,387 million (€12,671 million in 2017) and includes payables in respect of electricity supplies, fuel, materials, equipment associated with tenders, and other services.

More specifically, trade payables falling due in less than 12 months amounted to €12,718 million (€11,965 million in 2017), while those falling due in more than 12 months amounted to €669 million (€706 million in 2017).

40. Other current financial liabilities - *€788 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Deferred financial liabilities	654	857	(203)	-23.7%
Other items	134	97	37	38.1%
Total	**788**	**954**	**(166)**	**-17.4%**

The decrease in other current financial liabilities is attributable to the €203 million decrease in deferred financial liabilities as a result of a decrease in accrued liabilities on bonds.

The other items mainly refer to amounts due for accrued interest.

41. Net financial position and long-term financial receivables and securities - *€41,089 million*

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

Millions of euro

	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017	Change	
Long-term borrowings	43	48,983	42,439	6,544	15.4%
Short-term borrowings	43	3,616	1,894	1,722	90.9%
Other current financial payables [1]		28	-	28	-
Current portion of long-term borrowings	43	3,367	7,000	(3,633)	-51.9%
Other non-current financial assets included in debt	26.1	(3,272)	(2,444)	(828)	-33.9%
Other current financial assets included in debt	30.1	(5,003)	(4,458)	(545)	-12.2%
Cash and cash equivalents	32	(6,630)	(7,021)	391	5.6%
Total		**41,089**	**37,410**	**3,679**	**9.8%**

(1) Includes current financial payables included under other current financial liabilities.

Pursuant to CONSOB instructions of July 28, 2006, the following table reports the net financial position at December 31, 2018, and December 31, 2017, reconciled with net financial debt as provided for in the presentation methods of the Enel Group.

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Cash and cash equivalents on hand	328	343	(15)	-4.4%
Bank and post office deposits	5,531	6,487	(956)	-14.7%
Other investments of liquidity	771	191	580	-
Securities	63	69	(6)	-8.7%
Liquidity	**6,693**	**7,090**	**(397)**	**-5.6%**
Short-term financial receivables	3,418	3,253	165	5.1%
Factoring receivables	-	42	(42)	-
Short-term portion of long-term financial receivables	1,522	1,094	428	39.1%
Current financial receivables	**4,940**	**4,389**	**551**	**12.6%**
Short-term bank debt	(512)	(249)	(263)	-
Commercial paper	(2,393)	(889)	(1,504)	-
Short-term portion of long-term bank debt	(1,830)	(1,346)	(484)	-36.0%
Bonds issued (short-term portion)	(1,341)	(5,429)	4,088	75.3%
Other borrowings (short-term portion)	(196)	(225)	29	12.9%
Other short-term financial payables	(739)	(756)	17	2.2%
Total short-term financial debt	**(7,011)**	**(8,894)**	**1,883**	**21.2%**
Net short-term financial position	**4,622**	**2,585**	**2,037**	**78.8%**
Debt to banks and financing entities	(8,819)	(8,310)	(509)	-6.1%
Bonds	(38,633)	(32,285)	(6,348)	-19.7%
Other borrowings	(1,531)	(1,844)	313	17.0%
Long-term financial position	**(48,983)**	**(42,439)**	**(6,544)**	**-15.4%**
NET FINANCIAL POSITION as per CONSOB instructions	**(44,361)**	**(39,854)**	**(4,507)**	**-11.3%**
Long-term financial receivables and securities	**3,272**	**2,444**	**828**	**33.9%**
NET FINANCIAL DEBT	**(41,089)**	**(37,410)**	**(3,679)**	**-9.8%**

42. Other current liabilities - *€12,107 million*

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change	
Payables due to customers	1,773	1,824	(51)	-2.8%
Payables due to institutional market operators	3,945	4,765	(820)	-17.2%
Payables due to employees	472	422	50	11.8%
Other tax payables	1,093	1,323	(230)	-17.4%
Payables due to social security institutions	212	218	(6)	-2.8%
Contingent considerations	109	56	53	94.6%
Payables for put options granted to minority shareholders	-	1	(1)	-
Current accrued expenses and deferred income	459	302	157	52.0%
Payables for dividends	1,913	1,541	372	24.1%
Liabilities for construction contracts	-	364	(364)	-
Other	2,131	1,646	485	29.5%
Total	**12,107**	**12,462**	**(355)**	**-2.8%**

Payables due to customers include €936 million (€984 million at December 31, 2017) in security deposits related to amounts received from customers in Italy as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the company does not have an unconditional right to defer repayment beyond 12 months.

Payables due to institutional market operators include payables arising from the application of equalization mechanisms to electricity purchases on the Italian market amounting to €2,546 million (€3,042 million at December 31, 2017) and on the Spanish market amounting to €1,131 million (€1,399 million at December 31, 2017), and on the South American market amounting to €268 million (€324 million at December 31, 2017).

Contingent consideration mainly regard a number of shareholdings held primarily by the Group in North America whose fair value was determined on the basis of the terms and conditions of the contractual agreements between the parties.

The change in payables for dividends refers to the increase in the minimum dividend to be paid to shareholders, which went from €0.21 to €0.28 per share.

The increase in other payables mainly relates to the change in scope of consolidation following the acquisition of Enel Distribuição São Paulo.

Liabilities for construction contracts at December 31, 2018 (in the amount of €326 million) have been reclassified to liabilities deriving from contracts with customers following application of the simplified approach allowed under IFRS 15. For this reason, the balances at December 31, 2017 (€364 million) have not been reclassified. For more information, see note 25 of the consolidated financial statements.

43. Financial instruments

This note provides disclosures necessary for users to assess the significance of financial instruments for the company's financial position and performance.

43.1 Financial assets by category

The following table reports the carrying amount for each category of financial asset provided for under IFRS 9, broken down into current and non-current financial assets, showing hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro		Non-current		Current	
	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Financial assets at amortized cost	43.1.1	**4,292**	**2,817**	**25,268**	**26,496**
Financial assets at FVOCI	43.1.2	**413**	**438**	**72**	**69**
Financial assets at fair value through profit or loss					
Derivative financial assets at FVTPL	43.1.3	31	17	3,163	1,982
Other financial assets at FVTPL	43.1.3	2,080	1,478	-	16
Financial assets designated upon initial recognition (fair value option)	43.1.3	-	-	-	-
Total financial assets at fair value through profit or loss		**2,111**	**1,495**	**3,163**	**1,998**
Derivative financial assets designated as hedging instruments					
Fair value hedge derivatives	43.1.4	25	23	4	-
Cash flow hedge derivatives	43.1.4	949	662	747	327
Total derivative financial assets designated as hedging instruments		**974**	**685**	**751**	**327**
TOTAL		**7,790**	**5,435**	**29,254**	**28,890**

For more information on fair value measurement, see note 47 "Assets measured at fair value".

43.1.1 Financial assets measured at amortized cost

The following table reports financial assets measured at amortized cost by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current			Current	
	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017
Cash and cash equivalents		-	-	32	6,630	7,021
Trade receivables	29	835	557	29	12,752	13,972
Short-term portion of long-term financial receivables		-	-	30.1	1,522	1,094
Receivables for factoring		-	-	30.1	-	42
Cash collateral		-	-	30.1	2,559	2,664
Other financial receivables	26.1	2,912	2,059	30.1	859	589
Financial assets from service concession arrangements at amortized cost	26	345	-	30	12	-
Other financial assets at amortized cost	26, 27	200	201	30, 31	934	1,114
Total		**4,292**	**2,817**		**25,268**	**26,496**

Impairment of financial assets at amortized cost

Financial assets measured at amortized cost at December 31, 2018 amounted to €29,560 million (€29,313 million at December 31, 2017) and are recognized net of allowances for expected credit losses, which totaled €3,083 million at the end of the year, compared with a balance of €2,402 million at the end of previous year.

The Group mainly has the following types of financial assets measured at amortized cost subject to impairment testing:

- cash and cash equivalents;
- trade receivables;
- financial receivables; and
- other financial assets.

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

The expected credit loss (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 shortfalls) discounted at the original effective interest rate (EIR).

For calculating ECL, the Group applies two different approaches:

- the general approach, for financial assets other than trade receivables, contract assets and lease receivables. 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, at each reporting date.
  Then, based on the results of the assessment, a loss allowance is recognized based on 12-month ECL or lifetime ECL (i.e. staging):
  - 12-month ECL, 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);
- the simplified approach, for trade receivables, contract assets and lease receivables with or without a significant financing component, based on lifetime ECL without tracking changes in credit risk.

For more information on assets deriving from contracts with customers, please see note 25 "Current/Non-current contract assets/(liabilities)".

Depending on the nature of the financial assets and the credit risk information available, the assessment of the increase in credit risk may be performed on:

- an individual basis, if the receivables are individually significant and for all receivables which have been individually identified for impairment based on reasonable and supportable information;
- a collective basis, if no reasonable and supportable information is available without undue cost or effort to measure expected credit losses on an individual instrument basis.

When there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof, the gross carrying amount of the financial asset shall be reduced.

A write-off represents a derecognition event (e.g. the right to cash flows is legally or contractually extinguished, transferred or expired).

To measure expected losses, the Group assesses trade receivables and contract assets using the simplified approach both individually (e.g. for governments, authorities, financial counterparties, wholesalers, traders, large enterprises, etc.) and collectively (e.g. for retail customers).

The following table reports expected credit losses on financial assets measured at amortized cost on the basis of the general simplified approach.

Millions of euro	**at Dec. 31, 2018**			at Dec. 31, 2017		
	Gross amount	Allowance for expected losses	Total	Gross amount	Allowance for expected losses	Total
Cash and cash equivalents	6,632	2	6,630	7,021	-	7,021
Trade receivables	16,415	2,828	13,587	16,931	2,402	14,529
Financial receivables	8,081	229	7,852	6,448	-	6,448
Other financial assets at amortized cost	1,515	24	1,491	1,315	-	1,315
Total	**32,643**	**3,083**	**29,560**	**31,715**	**2,402**	**29,313**

The following table reports changes in the allowance for expected credit losses on financial receivables.

Millions of euro	Allowance for 12-month expected losses	Allowance for lifetime expected losses
Opening balance at Jan. 1, 2017 - IAS 39	**-**	**-**
Provisions	-	-
Uses	-	-
Reversals to profit or loss	-	-
Other changes	-	-
Closing balance at Dec. 31, 2017 - IAS 39	**-**	**-**
Adjustment for IFRS 9 FTA	7	23
Opening balance at Jan. 1, 2018 - IFRS 9	**7**	**23**
Provisions	-	4
Uses	-	-
Reversals to profit or loss (1)	(188)	(2)
Other changes (2)	268	117
Closing balance at Dec. 31, 2018	**87**	**142**

(1) Includes €186 million from the reversal of the impairment loss on the financial receivable generated following the disposal of 50% of Slovak Power Holding.
(2) Includes €186 million from the cumulative impairment losses at December 31, 2017 on the financial receivable generated following the disposal of 50% of Slovak Power Holding, previously recognized on the receivable account and reclassified in 2018 to the provision for expected losses.

The following table reports changes in the allowance for expected credit losses on trade receivables:

Millions of euro	
Opening balance at Jan. 1, 2017 - IAS 39	**2,028**
Provisions	1,204
Uses	(601)
Reversals to profit or loss	(310)
Other changes	81
Closing balance at Dec. 31, 2017 - IAS 39	**2,402**
Adjustment for IFRS 9 FTA	207
Opening balance at Jan. 1, 2018 - IFRS 9	**2,609**
Provisions	1,367
Uses	(897)
Reversals to profit or loss	(281)
Other changes	30
Closing balance at Dec. 31, 2018	**2,828**

The following table reports changes in the allowance for expected credit losses on other financial assets at amortized cost:

Millions of euro	Allowance for lifetime expected losses
Opening balance at Jan. 1, 2017 - IAS 39	**-**
Provisions	-
Uses	-
Reversals to profit or loss	-
Other changes	-
Closing balance at Dec. 31, 2017 - IAS 39	**-**
Adjustment for IFRS 9 FTA	15
Opening balance at Jan. 1, 2018 - IFRS 9	**15**
Provisions	3
Uses	-
Reversals to profit or loss	(3)
Other changes	9
Closing balance at Dec. 31, 2018	**24**

Note 44 "Risk management" provides additional information on the exposure to credit risk and expected losses.

43.1.2 Financial assets at fair value through other comprehensive income

The following table shows financial assets at fair value through other comprehensive income by nature, broken down into current and non-current financial assets.

Millions of euro	Non-current			Current		
	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017
Equity investments in other entities at FVOCI	26	53	56		-	-
Securities	26.1	360	382	30.1	72	69
Total		**413**	**438**		**72**	**69**

Changes in financial assets at FVOCI

Equity investments in other entities

Millions of euro	Non-current	Current
Closing balance at Dec. 31, 2017 - IAS 39	**4**	**-**
Adjustment for IFRS 9 FTA	(5)	-
Opening balance at Jan. 1, 2018 - IFRS 9	**(1)**	**-**
Purchases	16	-
Sales	-	-
Changes in fair value through OCI	13	-
Other changes	25	-
Closing balance at Dec. 31, 2018	**53**	**-**

Securities at FVOCI

Millions of euro	Non-current	Current
Closing balance at Dec. 31, 2017 - IAS 39	**382**	**69**
Adjustment for IFRS 9 FTA	-	-
Opening balance at Jan. 1, 2018 - IFRS 9	**382**	**69**
Purchases	93	18
Sales	(45)	(9)
Changes in fair value through OCI	(3)	-
Reclassifications	(64)	64
Other changes	(3)	(70)
Closing balance at Dec. 31, 2018	**360**	**72**

43.1.3 Financial assets at fair value through profit or loss

The following table shows financial assets at fair value through profit or loss by nature, broken down into current and non-current financial assets.

Millions of euro	Non-current			Current		
	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017
Derivatives at FVTPL	46	31	17	46	3,163	1,982
Equity investments in other entities at FVTPL	26	10	2		-	-
Financial assets from service concession arrangements at FVTPL	26	2,070	1,476	30	-	16
Total		**2,111**	**1,495**		**3,163**	**1,998**

43.1.4 Derivative financial assets designated as hedging instruments

For more information on derivative financial assets, please see note 46 “Derivatives and hedge accounting”.

43.2 Financial liabilities by category

The following table shows the carrying amount for each category of financial liability provided for under IFRS 9, broken down into current and non-current financial liabilities, showing hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro		Non-current		Current	
	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Financial liabilities at amortized cost	43.2.1	**49,824**	**43,408**	**27,567**	**29,355**
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities at FVTPL	43.4	34	21	3,135	1,980
Total financial liabilities at fair value through profit or loss		**34**	**21**	**3,135**	**1,980**
Derivative financial liabilities designated as hedging instruments					
Fair value hedge derivatives	43.4	-	7	-	6
Cash flow hedge derivatives	43.4	2,575	2,970	1,208	274
Total derivative financial liabilities designated as hedging instruments		**2,575**	**2,977**	**1,208**	**280**
TOTAL		**52,433**	**46,406**	**31,910**	**31,615**

For more information on fair value measurement, please see note 48 "Liabilities measured at fair value".

43.2.1 Financial liabilities measured at amortized cost

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

Millions of euro		Non-current			Current	
	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017	Notes	**at Dec. 31, 2018**	at Dec. 31, 2017
Long-term borrowings	43.3	48,983	42,439	43.3	3,367	7,000
Short-term borrowings		-	-	43.3	3,616	1,894
Trade payables	39	669	706	39	12,718	11,965
Other financial liabilities	38	172	263	42	7,866	8,496
Total		**49,824**	**43,408**		**27,567**	**29,355**

43.3 Borrowings

43.3.1 Long-term borrowings (including the portion falling due within 12 months) - *€52,350 million*

The following table reports the carrying amount and fair value for each category of debt, including the portion falling due within 12 months. For listed debt instruments, the fair value is given by official prices, while for unlisted debt instruments, fair value is determined using valuation techniques appropriate for each category of financial instrument and the associated market data at the reporting date, including the credit spreads of Enel SpA.

The table reports the situation of long-term borrowings and repayment schedules at December 31, 2018, broken down by type of borrowing and interest rate.

Millions of euro	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Changes in carrying amount
	at Dec. 31, 2018					at Dec. 31, 2017					
Bonds:											
- listed, fixed rate	23,811	23,099	845	22,254	25,944	25,862	25,275	4,679	20,596	29,561	(2,176)
- listed, floating rate	3,187	3,166	305	2,861	3,288	2,942	2,926	684	2,242	3,201	240
- unlisted, fixed rate	12,860	12,758	-	12,758	12,563	8,532	8,458	-	8,458	9,257	4,300
- unlisted, floating rate	951	951	191	760	932	1,055	1,055	66	989	1,051	(104)
Total bonds	**40,809**	**39,974**	**1,341**	**38,633**	**42,727**	**38,391**	**37,714**	**5,429**	**32,285**	**43,070**	**2,260**
Bank borrowings:											
- fixed rate	1,495	1,486	477	1,009	1,539	1,545	1,533	293	1,240	4,155	(47)
- floating rate	8,987	8,954	1,353	7,601	8,817	8,146	8,116	1,053	7,063	8,445	838
- use of revolving credit lines	209	209	-	209	210	8	7	-	7	7	202
Total bank borrowings	**10,691**	**10,649**	**1,830**	**8,819**	**10,566**	**9,699**	**9,656**	**1,346**	**8,310**	**12,607**	**993**
Non-bank borrowings:											
- fixed rate	1,569	1,549	164	1,385	1,585	1,884	1,865	198	1,667	2,149	(316)
- floating rate	197	178	32	146	182	223	204	27	177	231	(26)
Total non-bank borrowings	**1,766**	**1,727**	**196**	**1,531**	**1,767**	**2,107**	**2,069**	**225**	**1,844**	**2,380**	**(342)**
Total fixed-rate borrowings	**39,735**	**38,892**	**1,486**	**37,406**	**41,631**	**37,823**	**37,131**	**5,170**	**31,961**	**45,122**	**1,761**
Total floating-rate borrowings	**13,531**	**13,458**	**1,881**	**11,577**	**13,429**	**12,374**	**12,308**	**1,830**	**10,478**	**12,935**	**1,150**
TOTAL	**53,266**	**52,350**	**3,367**	**48,983**	**55,060**	**50,197**	**49,439**	**7,000**	**42,439**	**58,057**	**2,911**

The balance for bonds is reported net of €898 million in respect of the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", which the Parent Company holds in portfolio.

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

Long-term financial debt by currency and interest rate

Millions of euro	Carrying amount	Nominal value	Carrying amount	Nominal value	Current average nominal interest rate	Current effective interest rate
	at Dec. 31, 2018		at Dec. 31, 2017		**at Dec. 31, 2018**	
Euro	**23,388**	**24,025**	**25,925**	**26,449**	**2.8%**	**3.3%**
US dollar	18,541	18,720	13,521	13,658	4.7%	4.9%
Pound sterling	4,750	4,794	4,786	4,835	6.1%	6.2%
Colombian peso	1,543	1,543	1,618	1,618	7.5%	7.5%
Brazilian real	2,074	2,114	1,201	1,230	8.3%	8.4%
Swiss franc	403	403	687	688	2.1%	2.1%
Chilean peso/UF	700	710	465	475	6.1%	6.1%
Peruvian sol	404	404	385	385	6.2%	6.2%
Russian ruble	247	247	245	245	8.1%	8.1%
Japanese yen	-	-	233	233	-	-
Other currencies	300	306	373	381		
Total non-euro currencies	**28,962**	**29,241**	**23,514**	**23,748**		
TOTAL	**52,350**	**53,266**	**49,439**	**50,197**		

Long-term financial debt denominated in currencies other than the euro increased by €5,448 million. The change is largely attributable to new borrowing in US dollars by Enel Finance International as well as the increase in debt denominated in the Brazilian real following the acquisition of Enel Distribuição São Paulo in Brazil.

Change in the nominal value of long-term debt

Millions of euro	Nominal value	Repayments	Change in own bonds	Change in scope of consolidation	Exchange offer	New financing	Exchange differences	Reclassification from/to assets/(liabilities) held for sale	Nominal value
	at Dec. 31, 2017								**at Dec. 31, 2018**
Bonds	38,391	(8,987)	(38)	771	-	9,809	447	416	40,809
Borrowings	11,806	(3,053)	-	170	-	3,615	(81)	-	12,457
Total financial debt	**50,197**	**(12,040)**	**(38)**	**941**	**-**	**13,424**	**366**	**416**	**53,266**

Compared with December 31, 2017, the nominal value of long-term debt at December 31, 2018 increased by €3,069 million, the net effect of €13,424 million in new borrowings, €941 million from the change in the scope of consolidation, the reclassification to "Assets/(Liabilities) held for sale" of €416 million and the impact of adverse exchange rate developments in the amount of €366 million, only partly offset by repayments of €12,040 million. The change in the scope of consolidation mainly reflects the increase in debt following the acquisition of the Brazilian distribution company Enel Distribuição São Paulo.

Repayments in 2018 concerned bonds in the amount of €8,987 million and borrowings totaling €3,053 million.

More specifically, the main bonds maturing in 2018 included:

- two retail bonds, one fixed-rate and one floating-rate (€3,000 million) issued by Enel SpA, maturing in February 2018;
- a fixed-rate bond (€512 million) issued by Enel Finance International, maturing in April 2018;
- a fixed-rate bond (€591 million) issued by Enel SpA, maturing in June 2018;
- a fixed-rate bond (€544 million) issued by Enel Finance International, maturing in October 2018;
- a fixed-rate bond (€311 million) issued by Enel Finance International, maturing in December 2018.

In addition, in May 2018 Enel SpA repurchased €732 million in hybrid bonds it had issued in September 2013.

The main repayments of borrowings in the year included the following:

- €250 million in respect of subsidized loans of e-distribuzione and Enel Produzione;
- €68 million in respect of bank borrowings of Endesa, of which €12 million in subsidized loans;
- €133 million in respect of bank borrowings of Enel Green Power SpA, of which €51 million in subsidized loans;
- the equivalent of €54 million in respect of bank borrowings of Enel Russia, of which €27 million in subsidized loans;
- the equivalent of €102 million in respect of loans of Enel Green Power North America;
- the equivalent of €2,020 million in respect of loans of companies in South America.

The main new borrowing carried out in 2018 involved bonds in the amount of €9,809 million and borrowings of €3,615 million.

The table below shows the main characteristics of financial transactions carried out in 2018.

	Issuer/Borrower	Issue/ Grant date	Amount in millions of euro	Currency	Interest rate	Interest rate type	Maturity
Bonds:							
	Enel Finance International	16.01.2018	1,250	EUR	1.13%	Fixed rate	16.09.2026
	Enel SpA	24.05.2018	500	EUR	2.50%	Fixed rate	24.11.2023
	Enel SpA	24.05.2018	750	EUR	3.38%	Fixed rate	24.11.2026
	Enel Chile	12.06.2018	873	USD	4.88%	Fixed rate	12.06.2028
	Enel Distribuição São Paulo	13.09.2018	159	BRL	108.25% CDI	Floating rate	13.09.2021
	Enel Distribuição São Paulo	13.09.2018	314	BRL	111% CDI	Floating rate	13.09.2023
	Enel Distribuição São Paulo	13.09.2018	203	BRL	CDI + 1.45%	Floating rate	13.09.2025
	Enel Finance International	14.09.2018	1,091	USD	4.25%	Fixed rate	14.09.2023
	Enel Finance International	14.09.2018	1,309	USD	4.63%	Fixed rate	14.09.2025
	Enel Finance International	14.09.2018	1,091	USD	4.88%	Fixed rate	14.06.2029
Total bonds			**7,540**				
Bank borrowings:							
	Enel Chile	28.03.2018	83	CLP	TAB + 55 bps	Floating rate	12.07.2019
	Enel Chile	28.03.2018	93	CLP	TAB + 55 bps	Floating rate	12.07.2019
	Enel Chile	28.03.2018	93	CLP	TAB + 55 bps	Floating rate	12.07.2019
	e-distribuzione	03.05.2018	200	EUR	Euribor 6M + 42.9 bps	Floating rate	03.05.2033
	Endesa	29.05.2018	500	EUR	Euribor 6M + 21.7 bps	Floating rate	29.05.2030
	Enel Green Power RSA	31.07.2018	149	ZAR	CPI RRR + 300 bps	Floating rate	31.12.2021
	e-distribuzione	19.10.2018	200	EUR	Euribor 6M + 34.6 bps	Floating rate	19.10.2033
	Enel X Mobility	20.11.2018	50	EUR	Euribor 6M + 33.9 bps	Floating rate	20.11.2028
Total bank borrowings			**1,368**				

The Group's main long-term financial liabilities are governed by covenants that are commonly adopted in international business practice. These liabilities primarily regard the bond issues carried out within the framework of the Global/Euro Medium-Term Notes program, issues of subordinated unconvertible hybrid bonds (so-called "hybrid bonds") and loans granted by banks and other financial institutions (including the European Investment Bank and Cassa Depositi e Prestiti SpA).

The main covenants regarding bond issues carried out within the framework of the Global/Euro Medium-Term Notes program of Enel and Enel Finance International NV (including the green bonds of Enel Finance International NV guaranteed by Enel SpA, which are used to finance the Group's so-called eligible green projects) and those regarding bonds issued by Enel Finance International NV on the US market guaranteed by Enel SpA can be summarized as follows:

- negative pledge clauses under which the issuer and the guarantor may not establish or maintain mortgages, liens or other encumbrances on all or part of its assets or revenue to secure certain financial liabilities, unless the same encumbrances are extended equally or pro rata to the bonds in question;

- pari passu clauses, under which the bonds and the associated security constitute a direct, unconditional and unsecured obligation of the issuer and the guarantor and are issued without preferential rights among them and have at least the same seniority as other present and future unsubordinated and unsecured bonds of the issuer and the guarantor;
- cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer, the guarantor or, in some cases, "significant" subsidiaries constitutes a default in respect of the liabilities in question, which become immediately repayable.

The main covenants covering Enel's hybrid bonds can be summarized as follows:

- subordination clauses, under which each hybrid bond is subordinate to all other bonds issued by the company and has the same seniority with all other hybrid financial instruments issued, being senior only to equity instruments;
- prohibition on mergers with other companies, the sale or leasing of all or a substantial part of the company's assets to another company, unless the latter succeeds in all obligations of the issuer.

The main covenants envisaged in the loan contracts of Enel and Enel Finance International NV and the other Group companies can be summarized as follows:

- negative pledge clauses, under which the borrower and, in some cases, the guarantor are subject to limitations on the establishment of mortgages, liens or other encumbrances on all or part of their respective assets, with the exception of expressly permitted encumbrances;
- disposals clauses, under which the borrower and, in some cases, the guarantor may not dispose of their assets or operations, with the exception of expressly permitted disposals;
- pari passu clauses, under which the payment undertakings of the borrower have the same seniority as its other unsecured and unsubordinated payment obligations;
- change of control clauses, under which the borrower and, in some cases, the guarantor could be required to renegotiate the terms and conditions of the financing or make compulsory early repayment of the loans granted;
- rating clauses, which provide for the borrower or the guarantor to maintain their rating above a certain specified level;
- cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer or, in some cases, the guarantor constitutes a default in respect of the liabilities in question, which become immediately repayable.

In some cases the covenants are also binding for the significant companies or subsidiaries of the obligated parties.
All the financial borrowings considered specify "events of default" typical of international business practice, such as, for example, insolvency, bankruptcy proceedings or the entity ceases trading.
In addition, the guarantees issued by Enel in the interest of e-distribuzione SpA for certain loans to e-distribuzione SpA from Cassa Depositi e Prestiti SpA require that at the end of each six-month measurement period Enel's net consolidated financial debt shall not exceed 4.5 times annual consolidated EBITDA.
Finally, the debt of Enel Américas SA, Enel Chile SA and the other South American subsidiaries (notably Enel Generación Chile SA) contain covenants and events of default typical of international business practice, which had all been complied with as at December 31, 2018.

The following table reports the impact on gross long-term debt of hedges established to mitigate exchange risk.

Hedged long-term financial debt by currency

Millions of euro

	at Dec. 31, 2018					
	Initial debt structure			**Impact of hedge**	**Debt structure after hedging**	
	Carrying amount	Nominal amount	%			%
Euro	**23,388**	**24,025**	**45.0%**	**18,901**	**42,926**	**80.6%**
US dollar	18,541	18,720	35.1%	(15,064)	3,656	6.9%
Pound sterling	4,750	4,794	9.0%	(4,794)	-	-
Colombian peso	1,543	1,543	2.9%	-	1,543	2.9%
Brazilian real	2,074	2,114	4.0%	1,207	3,321	6.2%
Swiss franc	403	403	0.8%	(403)	-	-
Chilean peso/UF	700	710	1.3%	-	710	1.3%
Peruvian sol	404	404	0.8%	-	404	0.8%
Russian ruble	247	247	0.5%	73	320	0.6%
Japanese yen	-	-	-	-	-	-
Other currencies	300	306	0.6%	80	386	0.7%
Total non-euro currencies	**28,962**	**29,241**	**55.0%**	**(18,901)**	**10,340**	**19.4%**
TOTAL	**52,350**	**53,266**	**100.0%**	**-**	**53,266**	**100.0%**

The amount of floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the income statement (raising borrowing costs) in the event of an increase in market interest rates.

Millions of euro

	2018				2017			
	Pre-hedge	%	Post-hedge	%	Pre-hedge	%	Post hedge	%
Floating rate	17,175	30.2%	12,983	22.8%	14,268	27.4%	11,358	21.8%
Fixed rate	39,735	69.8%	43,927	77.2%	37,823	72.6%	40,733	78.2%
Total	**56,910**		**56,910**		**52,091**		**52,091**	

At December 31, 2018, 30.2% of financial debt was floating rate (27.4% at December 31, 2017). Taking account of hedges of interest rates considered effective pursuant to the IFRS-EU, 22.8% of net financial debt (21.8% at December 31, 2017) was exposed to interest rate risk. Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, 77% of net financial debt was hedged (78% hedged at December 31, 2017).

These results are in line with the limits established in the risk management policy.

at Dec. 31, 2017					
Initial debt structure			Impact of hedge	Debt structure after hedging	
Carrying amount	Nominal amount	%			%
25,925	**26,449**	**52.7%**	**15,144**	**41,593**	**82.9%**
13,521	13,658	27.2%	(10,577)	3,081	6.1%
4,786	4,835	9.6%	(4,835)	-	-
1,618	1,618	3.2%	29	1,647	3.3%
1,201	1,230	2.5%	977	2,207	4.4%
687	688	1.4%	(688)	-	-
465	475	0.9%	-	475	0.9%
385	385	0.8%	-	385	0.8%
245	245	0.5%	100	345	0.7%
233	233	0.5%	(233)	-	-
373	381	0.7%	83	464	0.9%
23,514	**23,748**	**47.3%**	**(15,144)**	**8,604**	**17.1%**
49,439	**50,197**	**100.0%**	**-**	**50,197**	**100.0%**

43.3.2 Short-term borrowings - *€3,616 million*

At December 31, 2018 short-term borrowings amounted to €3,616 million, an increase of €1,722 million on December 31, 2017. They break down as follows.

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change
Short-term bank borrowings	512	249	263
Commercial paper	2,393	889	1,504
Cash collateral on derivatives and other financing	301	449	(148)
Other short-term borrowings [1]	410	307	103
Short-term borrowings	**3,616**	**1,894**	**1,722**

(1) Does not include current financial debt included in other current financial liabilities.

Short-term bank borrowings amounted to €512 million. Commercial paper amounted to €2,393 million, issued by Enel Finance International, International Endesa BV and a number of South American companies.

The main commercial paper programs include:

- €6,000 million of Enel Finance International guaranteed by Enel SpA;
- €3,000 million of International Endesa BV;
- $400 million (equivalent to €349 million) of Enel Américas and Enel Generación Chile.

43.4 Derivative financial liabilities

For more information on derivative financial liabilities, please see note 46 "Derivatives and hedge accounting".

43.5 Net gains and losses

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

Millions of euro

	2018		2017	
	Net gains/ (losses)	*Of which impairment/reversal of impairment*	**Net gains/ (losses)**	*Of which impairment/reversal of impairment*
Financial assets at amortized cost	(409)	*(1,101)*	(701)	*(870)*
Financial assets at FVOCI				
Equity investments at FVOCI	10	-	-	-
Other financial assets at FVOCI [1]	4	-	82	-
Total financial assets at FVOCI	**14**	-	**82**	-
Financial assets at FVTPL				
Financial assets at FVTPL	385	*188*	-	-
Financial assets designated upon initial recognition (fair value option)	-	-	-	-
Total financial assets at FVTPL	**385**	*188*	**-**	-
Financial liabilities measured at amortized cost	(3,545)	-	(1,054)	-
Financial liabilities at FVTPL				
Financial liabilities held for trading	-	-	1	-
Financial liabilities designated upon initial recognition (fair value option)	-	-	-	-
Total financial liabilities at FVTPL	**-**	-	**1**	-

(1) The value of other assets at FVOCI for 2017 includes income from assets in respect of service concession arrangements that were classified as assets available for sale, while in 2018, following application of IFRS 9, those assets were mainly classified as assets at FVTPL.

For more details on net gains and losses on derivatives, please see note 11 "Net financial income/(expense) from derivatives".

44. Risk management

Financial risk management governance and objectives

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

As noted in the section "Main risks and uncertainties", the Group's governance arrangements for financial risks include internal committees and the establishment of specific policies and operational limits. Enel's primary objective is to mitigate financial risks appropriately so that they do not give rise to unexpected changes in results.

Market risks

Market risks are mainly composed of interest rate risk, exchange risk and commodity price risk. The sources of Enel's exposure to market risks have not changed since the previous year.

Interest rate risk is primarily generated by the use of financial instruments. The main financial liabilities held by the Group include bonds, bank borrowings, other borrowings, commercial paper, derivatives, cash deposits received to secure commercial or derivatives transactions (guarantees received, cash collateral), liabilities for construction contracts and trade payables. The main financial assets held by the Group include financial receivables, factoring receivables, derivatives, cash deposits made to secure commercial or derivatives transactions (guarantees pledged, cash collateral), cash (and cash equivalents), receivables for construction contracts and trade receivables.

The main purpose of those financial instruments is to support the operations of the Group. For more details, please see note 43 "Financial instruments" of the consolidated financial statements.

Exchange risk is generated by transactions in fuels and power, industrial investments, dividends from investees, commercial transactions and the use of financial instruments. The consolidated financial statements of the Group are also exposed to translation risk.

The Group's policies for managing market risks provide for the mitigation of the effects on performance of changes in interest rates and exchange rates with the exclusion of translation risk (connected with consolidation of the accounts). This objective is achieved at the source of the risk, through the diversification of both the nature of the financial instruments and the sources of revenue, and by modifying the risk profile of specific exposures with derivatives entered into on OTC markets or with specific commercial agreements.

The risk of fluctuations in commodity prices is generated by the volatility of those prices and existing structural correlations between them, which creates uncertainty about the margin on transactions in fuels and energy. Price developments are observed and analyzed in order to develop the Group's industrial, financial and commercial strategies and policies.

In order to contain the effects of such fluctuations and stabilize margins, in accordance with the Group's policies and operational limits established with the risk governance arrangements, Enel develops and plans strategies that impact the various stages of the industrial process associated with the production and sale of electricity and gas (such as advance sourcing and long-term commercial agreements) and risk mitigation plans and techniques for hedging risks with derivatives.

As part of its governance of market risks, Enel regularly monitors the size of the OTC derivatives portfolio in relation to the threshold values set by regulators for the activation of clearing obligations (EMIR - European Market Infrastructure Regulation 648/2012 of the European Parliament and of the Council). During 2018, no overshoot of those threshold values was detected.

Interest rate risk

Interest rate risk primarily manifests itself as unexpected changes in charges on financial liabilities, if indexed to floating rates and/or exposed to the uncertainty of financial terms and conditions in negotiating new debt instruments, or as an unexpected change in the value of financial instruments measured at fair value (such as fixed-rate debt).

The Enel Group mainly manages interest rate risk through the definition of an optimal financial structure, with the dual goal of stabilizing borrowing costs and containing the cost of funds. This goal is pursued through the diversification of the portfolio of financial liabilities by contract type, maturity and interest rate, and modifying the risk profile of specific exposures using OTC derivatives, mainly interest rate swaps and interest rate options. The term of such derivatives does not exceed the maturity of the underlying financial liability, so that any change in the fair value and/or expected cash flows of such contracts is offset by a corresponding change in the fair value and/or cash flows of the hedged position.

Proxy hedging techniques may be used in a number of residual circumstances, when the hedging instruments for the risk factors are not available on the market or are not sufficiently liquid. For the purpose of EMIR compliance, in order to test the actual effectiveness of the hedging techniques adopted, the Group subjects its hedge portfolios to periodic statistical assessment.

Using interest rate swaps, the Enel Group agrees with the counterparty to periodically exchange floating-rate interest flows with fixed-rate flows, both calculated on the same notional principal amount.

Floating-to-fixed interest rate swaps transform floating-rate financial liabilities into fixed-rate liabilities, thereby neutralizing the exposure of cash flows to changes in interest rates.

Fixed-to-floating interest rate swaps transform fixed-rate financial liabilities into floating-rate liabilities, thereby neutralizing the exposure of their fair value to changes in interest rates.

Floating-to-floating interest rate swaps transform the indexing criteria for floating-rate financial liabilities.

Some structured borrowings have multi-stage cash flows hedged by interest rate swaps that at the reporting date, and for a limited time, provide for the exchange of fixed-rate interest flows.

Interest rate options involve the exchange of interest differences calculated on a notional principal amount once certain thresholds (strike prices) are reached. These thresholds specify the effective maximum rate (cap) or the minimum rate (floor) to which the synthetic financial instrument will be indexed as a result of the hedge. Certain hedging strategies provide for the use of combinations of options (collars) that establish the minimum and maximum rates at the same time. In this case, the strike prices are normally set so that no premium is paid on the contract (zero cost collars).

Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to market expectations for future interest rate developments. In addition, interest rate options are also considered most appropriate in periods of greater uncertainty about future interest rate developments because they make it possible to benefit from any decrease in interest rates.

The following table reports the notional amount of interest rate derivatives at December 31, 2018 and December 31, 2017 broken down by type of contract:

Millions of euro	Notional amount	
	2018	2017
Floating-to-fixed interest rate swaps	10,032	11,166
Fixed-to-floating interest rate swaps	154	884
Fixed-to-fixed interest rate swaps	-	-
Floating-to-floating interest rate swaps	165	165
Interest rate options	50	50
Total	**10,401**	**12,265**

For more details on interest rate derivatives, please see note 46 "Derivatives and hedge accounting".

Interest rate risk sensitivity analysis

Enel analyzes the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and on equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross debt.

These market scenarios are obtained by simulating parallel increases and decreases in the yield curve as at the reporting date.

There were no changes introduced in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the Group's profit before tax would be affected by a change in the level of interest rates as follows.

Millions of euro		2018			
		Pre-tax impact on profit or loss		**Pre-tax impact on equity**	
	Basis points	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term floating-rate debt after hedging	25	23	(23)	-	-
Change in fair value of derivatives classified as non-hedging instruments	25	6	(6)	-	-
Change in fair value of derivatives designated as hedging instruments					
Cash flow hedges	25	-	-	108	(108)
Fair value hedges	25	(1)	1	-	-

Exchange risk

Exchange risk mainly manifests itself as unexpected changes in the financial statement items associated with transactions denominated in a currency other than the currency of account. The Group's exposure is connected with the purchase or sale of fuels and power, investments (cash flows for capitalized costs), dividends and the purchase or sale of equity investments, commercial transactions and financial assets and liabilities.

In order to minimize the exposure to exchange risk, Enel implements diversified revenue and cost sources geographically, and uses indexing mechanisms in commercial contracts. Enel also uses various types of derivative, typically on the OTC market.

The derivatives in the Group's portfolio of financial instruments include cross currency interest rate swaps, currency forwards and currency swaps. The term of such contracts does not exceed the maturity of the underlying instrument, so that any change in the fair value and/or expected cash flows of such instruments offsets the corresponding change in the fair value and/or cash flows of the hedged position.

Cross currency interest rate swaps are used to transform a long-term financial liability denominated in currency other than the currency of account into an equivalent liability in the currency of account.

Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two principal amounts (deliverable forwards) or payment of the difference generated by differences between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards). In the latter case, the strike rate and/or the spot rate may be determined as averages of the rates observed in a given period.

Currency swaps are contracts in which the counterparties enter into two transactions of the opposite sign at different future dates (normally one spot, the other forward) that provide for the exchange of principal denominated in different currencies.

The following table reports the notional amount of transactions outstanding at December 31, 2018 and December 31, 2017, broken down by type of hedged item.

Millions of euro	Notional amount	
	2018	2017
Cross currency interest rate swaps (CCIRSs) hedging debt denominated in currencies other than the euro	24,712	19,004
Currency forwards hedging exchange risk on commodities	4,924	3,526
Currency forwards hedging future cash flows in currencies other than the euro	5,386	6,319
Currency swaps hedging commercial paper	-	-
Currency forwards hedging loans	-	-
Other currency forwards	1,584	300
Total	**36,606**	**29,149**

More specifically, these include:

- CCIRSs with a notional amount of €24,712 million to hedge the exchange risk on debt denominated in currencies other than the euro (€19,004 million at December 31, 2017);
- currency forwards with a total notional amount of €10,310 million used to hedge the exchange risk associated with purchases and sales of natural gas, purchases of fuel and expected cash flows in currencies other than the euro (€9,845 million at December 31, 2017);
- other currency forwards including OTC derivatives transactions carried out to mitigate exchange risk on expected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters), on operating expenses for the supply of cloud services and on revenue from the sale of renewable energy.

At December 31, 2018, 55% (47% at December 31, 2017) of Group long-term debt was denominated in currencies other than the euro.

Taking account of hedges of exchange risk, the percentage of debt not hedged against that risk amounted to 19% at December 31, 2018 (17% at December 31, 2017).

Exchange risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in exchange rates on the portfolio of financial instruments. More specifically, sensitivity analysis measures the potential impact on profit or loss and equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross medium/long-term debt.

These scenarios are obtained by simulating the appreciation/depreciation of the euro against all of the currencies compared with the value observed as at the reporting date.

There were no changes in the methods or assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the profit before tax would be affected by changes in exchange rates as follows.

Millions of euro	2018				
		Pre-tax impact on profit or loss		**Pre-tax impact on equity**	
	Exchange rate	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term debt denominated in currencies other than the euro after hedging	10%	-	-	-	-
Change in fair value of derivatives classified as non-hedging instruments	10%	493	(600)	-	-
Change in fair value of derivatives designated as hedging instruments					
Cash flow hedges	10%	-	-	(2,712)	3,311
Fair value hedges	10%	8	(9)	-	-

Commodity risk

The risk of fluctuations in the price of commodities is mainly associated with the purchase and sale of electricity and fuels at variable prices (e.g. indexed bilateral contracts, transactions on the spot market, etc.).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold by the Group, Enel mainly uses fixed-price contracts in the form of bilateral physical contracts (PPAs) and financial contracts (e.g. contracts for differences, VPP contracts, etc.) in which differences are paid to the counterparty if the market electricity price exceeds the strike price and to Enel in the opposite case. The residual exposure in respect of the sale of energy on the spot market not hedged with such contracts is aggregated by uniform risk factors that can be managed with hedging transactions on the market. Proxy hedging techniques may be used for the industrial portfolios when the hedging instruments for the specific risk factors generating the exposure are not available on the market or are not sufficiently liquid. In addition, Enel uses portfolio hedging techniques to assess opportunities for netting intercompany exposures.

The Group mainly uses plain vanilla derivatives for hedging (more specifically, forwards, swaps, options on commodities, futures, contracts for differences).

Enel also engages in proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations consist in taking on exposures in energy commodities (oil products, gas, coal, CO_2 certificates and electricity) using financial derivatives and physical contracts traded on regulated and OTC markets, optimizing profits through transactions carried out on the basis of expected market developments.

The following table reports the notional amount of outstanding transactions at December 31, 2018 and December 31, 2017, broken down by type of instrument.

Millions of euro	Notional amount	
	2018	2017
Forward and futures contracts	41,157	24,824
Swaps	6,346	4,584
Options	549	422
Embedded derivatives	-	-
Total	**48,052**	**29,830**

For more details, please see note 46 "Derivatives and hedge accounting".

Commodity risk sensitivity analysis

The following table presents the results of the analysis of sensitivity to a reasonably possible change in the commodity prices underlying the valuation model used in the scenario at the same date, with all other variables held constant.

The impact on pre-tax profit of shifts of +10% and -10% in the price curve for the main commodities that make up the fuel scenario and the basket of formulas used in the contracts is mainly attributable to the change in the price of gas and petroleum products and, to a lesser extent, of electricity and CO_2. The impact on equity of the same shifts in the price curve is primarily due to changes in the price of electricity and, to a lesser extent, coal and CO_2.

Millions of euro		**2018**			
		Pre-tax impact on profit or loss		**Pre-tax impact on equity**	
	Commodity price	Increase	Decrease	Increase	Decrease
Change in the fair value of trading derivatives on commodities	10%	(114)	101	-	-
Change in the fair value of derivatives on commodities designated as hedging instruments	10%	-	-	70	(60)

Credit risk

The Group's commercial, commodity and financial operations expose it to credit risk, i.e. the possibility that a deterioration in the creditworthiness of a counterparty has an adverse impact on the expected value of the creditor position or, for trade payables only, increase average collection times.

Accordingly, the exposure to credit risk is attributable to the following types of operations:

- the sale and distribution of electricity and gas in free and regulated markets and the supply of goods and services (trade receivables);
- trading activities that involve the physical exchange of assets or transactions in financial instruments (the commodity portfolio);
- trading in derivatives, bank deposits and, more generally, financial instruments (the financial portfolio).

In order to minimize credit risk, credit exposures are managed at the Region/Country/Global Business Line level by different units, thereby ensuring the necessary segregation of risk management and control activities. Monitoring of the consolidated exposure is carried out by Enel SpA.

In addition, at the Group level the policy provides for the use of uniform criteria – in all the main Regions/Countries/Global Business Lines and at the consolidated level – in measuring commercial credit exposures in order to promptly identify any deterioration in the quality of outstanding receivables and any mitigation actions to be taken.

The policy for managing credit risk associated with commercial activities provides for a preliminary assessment of the creditworthiness of counterparties and the adoption of mitigation instruments, such as obtaining collateral or unsecured guarantees.

In addition, the Group undertakes transactions to assign receivables without recourse, which results in the complete derecognition of the corresponding assets involved in the assignment, as the risks and rewards associated with them have been transferred.

Finally, with regard to financial and commodity transactions, risk mitigation is pursued with a uniform system for assessing counterparties at the Group level, including implementation at the level of Regions/Countries/Global Business Lines, as well as with the adoption of specific standardized contractual frameworks that contain risk mitigation clauses (e.g. netting arrangements) and possibly the exchange of cash collateral.

Financial receivables

Millions of euro

	at Dec. 31, 2018				
Staging	Basis for recognition of expected loss allowance	Average loss rate (PD*LGD)	Gross carrying amount	Expected loss allowance	Net value
Performing	12 m ECL	0.3%	7,682	22	7,660
Underperforming	Lifetime ECL	44.2%	344	152	192
Non-performing	Lifetime ECL	100.0%	55	55	-
Total			**8,081**	**229**	**7,852**

Assets deriving from contracts with customers, trade receivables and other receivables: individual measurement

Millions of euro

	at Dec. 31, 2018			
	Average loss rate (PD*LGD)	Gross carrying amount	Expected loss allowance	Net value
Contract assets	**-**	**37**	**-**	**37**
Trade receivables				
Trade receivables not past due	0.9%	4,349	37	4,312
Trade receivables past due:				
- 1-30 days	4.6%	368	17	351
- 31-60 days	13.0%	77	10	67
- 61-90 days	6.7%	60	4	56
- 91-120 days	15.6%	45	7	38
- 121-150 days	4.3%	46	2	44
- 151-180 days	20.3%	79	16	63
- more than 180 days (credit impaired)	51.6%	1,088	561	527
Total trade receivables		**6,112**	**654**	**5,458**
Other receivables				
Other receivables not past due	1.1%	999	11	988
Other receivables past due:				
- 1-30 days	-	83	-	83
- 31-60 days	-	-	-	-
- 61-90 days	-	-	-	-
- 91-120 days	-	-	-	-
- 121-150 days	-	-	-	-
- 151-180 days	-	-	-	-
- more than 180 days (credit impaired)	-	-	-	-
Total other receivables		**1,082**	**11**	**1,071**
TOTAL		**7,231**	**665**	**6,566**

Assets deriving from contracts with customers, trade receivables and other receivables: collective measurement

Millions of euro

	at Dec. 31, 2018			
	Average loss rate (PD*LGD)	Gross carrying amount	Expected loss allowance	Net value
Contract assets	**0.2%**	**445**	**1**	**444**
Trade receivables				
Trade receivables not past due	2.3%	3,988	91	3,897
Trade receivables past due:				
- 1-30 days	1.9%	2,289	44	2,245
- 31-60 days	12.0%	209	25	184
- 61-90 days	18.7%	139	26	113
- 91-120 days	24.8%	125	31	94
- 121-150 days	22.5%	111	25	86
- 151-180 days	29.3%	92	27	65
- more than 180 days (credit impaired)	56.9%	3,350	1,905	1,445
Total trade receivables		**10,303**	**2,174**	**8,129**
Other receivables				
Other receivables not past due	3.3%	393	13	380
Other receivables past due:				
- 1-30 days	-	40	-	40
- 31-60 days	-	-	-	-
- 61-90 days	-	-	-	-
- 91-120 days	-	-	-	-
- 121-150 days	-	-	-	-
- 151-180 days	-	-	-	-
- more than 180 days (credit impaired)	-	-	-	-
Total other receivables		**433**	**13**	**420**
TOTAL		**11,181**	**2,188**	**8,993**

Liquidity risk

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

Enel 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, including liquidity on hand and short-term deposits, available committed credit lines and a portfolio of highly liquid assets.

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

The mitigation of liquidity risk enables the Group 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 Group holds the following undrawn lines of credit.

Millions of euro	**at Dec. 31, 2018**		at Dec. 31, 2017	
	Expiring within one year	Expiring beyond one year	Expiring within one year	Expiring beyond one year
Committed credit lines	750	13,758	245	13,761
Uncommitted credit lines	355	-	360	1
Commercial paper	6,990	-	7,464	-
Total	**8,095**	**13,758**	**8,069**	**13,762**

Maturity analysis

The table below summarizes the maturity profile of the Group's long-term debt.

Millions of euro	Maturing in						
	Less than 3 months	From 3 months to 1 year	2020	2021	2022	2023	Beyond
Bonds:							
- listed, fixed rate	55	790	1,928	1,309	2,250	2,801	13,966
- listed, floating rate	106	199	283	355	465	567	1,191
- unlisted, fixed rate	-	-	-	-	1,787	2,172	8,799
- unlisted, floating rate	135	56	27	111	97	97	428
Total bonds	**296**	**1,045**	**2,238**	**1,775**	**4,599**	**5,637**	**24,384**
Bank borrowings:							
- fixed rate	82	395	397	244	75	42	251
- floating rate	188	1,165	1,381	1,175	629	636	3,780
- use of revolving credit lines	-	-	73	136	-	-	-
Total bank borrowings	**270**	**1,560**	**1,851**	**1,555**	**704**	**678**	**4,031**
Non-bank borrowings:							
- fixed rate	42	122	176	165	169	176	699
- floating rate	7	25	37	31	27	20	31
Total non-bank borrowings	**49**	**147**	**213**	**196**	**196**	**196**	**730**
TOTAL	**615**	**2,752**	**4,302**	**3,526**	**5,499**	**6,511**	**29,145**

Commitments to purchase commodities

In conducting its business, the Enel Group has entered into contracts to purchase specified quantities of commodities at a certain future date for its own use, which qualify for the own use exemption provided for under IAS 39.

The following table reports the undiscounted cash flows associated with outstanding commitments at December 31, 2018.

Millions of euro

	at Dec. 31, 2018	2015-2019	2020-2024	2025-2029	Beyond
Commitments to purchase commodities:					
- electricity	109,638	27,358	20,282	19,892	42,106
- fuels	43,668	26,536	10,969	4,398	1,765
Total	**153,306**	**53,894**	**31,251**	**24,290**	**43,871**

45. Offsetting financial assets and financial liabilities

At December 31, 2018, the Group did not hold offset positions in assets and liabilities, as it is not the Enel Group's policy to settle financial assets and liabilities on a net basis.

46. Derivatives and hedge accounting

The following tables show the notional amount and the fair value of derivative financial assets and derivative financial liabilities eligible for hedge accounting or measured a FVTPL, classified on the basis of the type of hedge relationship and the hedged risk, broken down into current and non-current instruments.

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 official year end exchange rates provided by the World Markets Reuters (WMR) Company.

Millions of euro	Non-current				Current			
	Notional		Fair value		Notional		Fair value	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Fair value hedge derivatives:								
- on interest rates	12	827	6	23	15	-	1	-
- on exchange rates	171	-	19	-	66	-	3	-
Total	**183**	**827**	**25**	**23**	**81**	**-**	**4**	**-**
Cash flow hedge derivatives:								
- on interest rates	404	780	12	5	427	127	1	1
- on exchange rates	8,318	3,644	675	594	4,689	1,130	252	45
- on commodities	1,126	367	262	63	1,428	1,975	494	281
Total	**9,848**	**4,791**	**949**	**662**	**6,544**	**3,232**	**747**	**327**
Trading derivatives:								
- on interest rates	50	394	2	3	-	-	-	-
- on exchange rates	197	134	4	5	4,057	4,442	51	80
- on commodities	261	177	25	9	20,553	12,909	3,112	1,902
Total	**508**	**705**	**31**	**17**	**24,610**	**17,351**	**3,163**	**1,982**
TOTAL DERIVATIVE FINANCIAL ASSETS	**10,539**	**6,323**	**1,005**	**702**	**31,235**	**20,583**	**3,914**	**2,309**

Millions of euro	Non-current				Current			
	Notional		Fair value		Notional		Fair value	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Fair value hedge derivatives:								
- on interest rates	-	-	-	-	-	-	-	-
- on exchange rates	-	63	-	7	-	35	-	6
- on commodities	-	-	-	-	-	-	-	-
Total	**-**	**63**	**-**	**7**	**-**	**35**	**-**	**6**
Cash flow hedge derivatives:								
- on interest rates	8,605	9,899	605	556	272	50	1	1
- on exchange rates	13,025	15,756	1,803	2,375	2,791	2,096	348	114
- on commodities	656	368	167	39	2,050	1,114	859	159
Total	**22,286**	**26,023**	**2,575**	**2,970**	**5,113**	**3,260**	**1,208**	**274**
Trading derivatives:								
- on interest rates	478	88	17	9	138	100	66	65
- on exchange rates	191	326	3	10	3,101	1,474	33	38
- on commodities	133	18	14	2	21,845	12,902	3,036	1,877
Total	**802**	**432**	**34**	**21**	**25,084**	**14,476**	**3,135**	**1,980**
TOTAL DERIVATIVE FINANCIAL LIABILITIES	**23,088**	**26,518**	**2,609**	**2,998**	**30,197**	**17,771**	**4,343**	**2,260**

46.1 Derivatives designated as hedging instruments

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

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

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Group 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 Group assesses and documents that they are highly probable and present an exposure to changes in cash flows that affect profit or loss.

Depending on the nature of the risks exposure, the Group designates derivatives as either:

- fair value hedge; or
- cash flow hedge.

For more details about the nature and the extent of risks arising from financial instruments to which the Group is exposed, please refer the note 44 "Risk management".

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 shall not dominate the value changes resulting from the economic relationship;
- the hedge ratio defined at initial designation shall be 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 Group through a qualitative assessment or a quantitative 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 exis-

tence 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 is in line with those of the hedged item, different scenarios will be analyzed.
For hedging of commodity price risk, the existence of an economic relationship is deduced from a ranking matrix that defines, for each possible risk component, a set of all standard derivatives available in the market whose ranking is based on their effectiveness in hedging the considered risk.
In order to evaluate the credit risk effects, the Group considers the existence of risk mitigating measures (collateral, mutual break-up clauses, netting agreements, etc.).

The Group 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, including 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 hedge items).

Fair value hedges

Fair value hedges are used to protect the Group against exposures to changes in the fair value of assets, liabilities or firm commitment attributable to a particular risk that could affect profit or loss.
Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk.
If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortized to profit or loss over the period to maturity.

Cash flow hedges

Cash flow hedges are applied in order to hedge the Group exposure to changes in future cash flows that are attributable to a particular risk associated with a recognized 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 recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.
Amounts accumulated in equity are reclassified to profit or loss in the 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 recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to 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 (profit or loss vs OCI) is defined case by case. This approach is actually applied by the Group for hedging of foreign currency risk on renewables assets.
Conversely, for hedging relationships using cross currency interest rate swap as hedging instrument, the Group separates foreign currency basis spread, in designating the hedging derivative, and present them in other comprehensive income (OCI) as hedging costs.
With specific regard to cash flow hedges of commodity risk, in order to improve their consistency with the risk management strategy, the Enel Group applies a dynamic hedge accounting approach based on specific liquidity requirements (the so-called liquidity-based approach).
This approach requires the designation of hedges through the use of the most liquid derivatives available on the market and replacing them with others that are more effective in covering the risk in question.
Consistent with the risk management strategy, the liquidity-based approach allows the roll-over of a derivative by replacing it with a new derivative, not only in the event of expiry but also during the hedging relationship, if and only if the new derivative meets both of the following requirements:

- it represents a best proxy of the old derivative in terms of ranking;
- it meets specific liquidity requirements.

Satisfaction of these requirements is verified quarterly.
At the roll-over date, the hedging relationship is discontinued. Therefore, starting from that date, changes in the effective fair value of the new derivative will be recognized in shareholders' equity (the cash flow hedge reserve), while changes in the fair value of the old derivative are recognized through profit or loss.

The following tables show the notional amount and the fair value of hedging derivatives assets and liabilities, classified on the basis of each type of hedge relationship and hedged risk, broken down into current and non-current.

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 CU by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than CU are converted at the year end exchange rates provided by the World Markets Reuters (WMR) Company.

For more information about the fair value measurement of derivative contracts, please see notes 47 "Assets measured at fair value" and 48 "Liabilities measured at fair value".

46.1.1 Hedge relationships by type of risk hedged

Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk of transactions outstanding as at December 31, 2018 and December 31, 2017, broken down by type of hedge.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
Hedging instrument	**Hedged item**	**at Dec. 31, 2018**		at Dec. 31, 2017	
Interest rate swaps	Fixed-rate borrowings	6	12	22	812
Interest rate swaps	Floating-rate borrowings	(599)	9,581	(550)	10,799
Interest rate swaps	Floating-rate financial receivables	7	142	-	72
Total		**(586)**	**9,735**	**(528)**	**11,683**

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at December 31, 2018 and December 31, 2017, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Fair value hedge derivatives:								
- interest rate swaps	27	827	7	23	-	-	-	-
Cash flow hedge derivatives:								
- interest rate swaps	831	907	13	6	8,877	9,949	(606)	(557)
Total interest rate derivatives	**858**	**1,734**	**20**	**29**	**8,877**	**9,949**	**(606)**	**(557)**

The notional amount of derivatives classified as hedging instruments at December 31, 2018, came to €9,735 million, with a corresponding negative fair value of €586 million.

Compared with December 31, 2017, the notional amount decreased by €1,948 million, mainly reflecting:

- the early termination of pre-hedge interest rate swaps amounting to €1,250 million in respect of the issue of the green bond;
- the early termination of pre-hedge interest rate swaps amounting to €1,500 million in respect of the US-dollar denominated bond issue in September;
- the early termination of interest rate swaps amounting to €938 million, of which €800 million in respect of the tender offer for the hybrid bond issued by Enel SpA in 2013;
- the expiry of interest rate swaps amounting to €177 million;
- new interest rate swaps amounting to €2,445 million.

The value also reflects the reduction of €527 million in the notional amount of amortizing interest rate swaps.

The deterioration in the fair value of €58 million mainly reflects developments in the yield curve.

Cash flow hedge derivatives

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, 2018	2019	2020	2021	2022	2023	Beyond
Cash flow hedge derivatives on interest rates:							
- positive fair value	13	5	3	2	1	1	3
- negative fair value	(606)	(84)	(122)	(116)	(91)	(78)	(146)

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

Millions of euro	
Opening balance at January 1, 2017	**(768)**
Changes in fair value recognized in equity (OCI)	99
Changes in fair value recognized in profit or loss	52
Closing balance at December 31, 2017	**(617)**
Opening balance at January 1, 2018	**(617)**
Changes in fair value recognized in equity (OCI)	(77)
Changes in fair value recognized in profit or loss	37
Closing balance at December 31, 2018	**(657)**

Exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on the exchange risk of transactions outstanding as at December 31, 2018 and December 31, 2017, broken down by type of hedged item.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
		at Dec. 31, 2018		at Dec. 31, 2017	
Hedging instrument	**Hedged asset**				
Cross currency interest rate swaps (CCIRSs)	Fixed-rate borrowings	(1,325)	21,114	(1,720)	17,616
Cross currency interest rate swaps (CCIRSs)	Floating-rate borrowings	95	1,021	(4)	977
Cross currency interest rate swaps (CCIRSs)	Future cash flows denominated in foreign currencies	(71)	297	(29)	321
Currency forwards	Future commodity purchases denominated in foreign currencies	99	4,298	(130)	3,076
Currency forwards	Future cash flows denominated in foreign currencies	(30)	1,089	30	552
Currency forwards	Purchases of investment goods and other	30	1,241	(9)	183
Total		**(1,202)**	**29,060**	**(1,863)**	**22,725**

Cash flow hedges and fair value hedges include:

- CCIRSs with a notional amount of €21,114 million used to hedge the exchange risk on fixed-rate debt denominated in currencies other than the euro, with a negative fair value of €1,325 million;
- CCIRSs with a notional amount of €1,318 million used to hedge the exchange risk on floating-rate debt denominated in currencies other than the euro, with a positive fair value of €24 million;
- currency forwards with a notional amount of €5,387 million used to hedge the exchange risk associated with purchases of natural gas, purchases of fuel and expected cash flows in currencies other than the euro, with a positive fair value of €69 million;
- currency forwards with a notional amount of €1,241 million and a positive fair value of €30 million in respect of OTC transactions to mitigate the exchange risk on expected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters), on operating expenses for the supply of cloud services and on revenue from the sale of renewable energy.

The following table reports the notional amount and fair value of foreign exchange derivatives at December 31, 2018 and December 31, 2017, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Fair value hedge derivatives:								
- currency forwards	-	-	-	-	-	4	-	-
- CCIRSs	237	-	22	-	-	93	-	(13)
Cash flow hedge derivatives:								
- currency forwards	4,302	747	160	32	2,326	3,060	(61)	(142)
- CCIRSs	8,705	4,028	767	607	13,490	14,793	(2,090)	(2,347)
Total foreign exchange derivatives	**13,244**	**4,775**	**949**	**639**	**15,816**	**17,950**	**(2,151)**	**(2,502)**

The notional amount of CCIRSs at December 31, 2018 amounted to €22,432 million (€18,914 million at December 31, 2017), an increase of €3,518 million. Cross currency interest rate swaps with a total value of €654 million expired, while cross currency interest rate swaps with a value of €148 were closed early. New derivatives amounted to €3,871 million, of which €3,492 million in respect of bond issues denominated in US dollars in September 2018. The value also reflects developments in the exchange rate of the euro against the main other currencies, which caused their notional amount to increase by €358 million.

The notional value of currency forwards at December 31, 2018 amounted to €6,628 million (€3,807 million at December 31, 2017), an increase of €2,821 million. The exposure to exchange risk, especially that associated with the US dollar, is mainly due to purchases of natural gas, purchase of fuel and cash flows in respect of investments. Changes in the notional amount are connected with normal developments in operations.

Cash flow hedge derivatives

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

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2018	2019	2020	2021	2022	2023	Beyond
Cash flow hedge derivatives on exchange rates:							
- positive fair value	926	380	261	182	163	332	1,112
- negative fair value	(2,150)	(237)	72	43	29	65	124

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

Millions of euro

Opening balance at January 1, 2017	**(1,341)**
Changes in fair value recognized in equity (OCI)	(211)
Changes in fair value recognized in profit or loss	(88)
Closing balance at December 31, 2017	**(1,640)**
Opening balance at January 1, 2018	**(1,640)**
Changes in fair value recognized in equity (OCI)	181
Changes in fair value recognized in profit or loss	65
Closing balance at December 31, 2018	**(1,394)**

Commodity risk

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Fair value hedge derivatives								
Derivatives on power:								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	-	-	-	-	-	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on power	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash flow hedge derivatives								
Derivatives on power:								
- swaps	1,249	458	139	39	512	238	(227)	(22)
- forwards/futures	293	116	20	11	159	545	(12)	(102)
- options	-	-	-	-	-	-	-	-
Total derivatives on power	**1,542**	**574**	**159**	**50**	**671**	**783**	**(239)**	**(124)**
Derivatives on coal:								
- swaps	10	525	74	84	619	18	(94)	(1)
- forwards/futures	-	-	-	-	-	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on coal	**10**	**525**	**74**	**84**	**619**	**18**	**(94)**	**(1)**
Derivatives on gas and oil:								
- swaps	-	45	-	12	-	-	-	-
- forwards/futures	723	1,036	222	130	1,415	681	(693)	(73)
- options	-	-	-	-	-	-	-	-
Total derivatives on gas and oil	**723**	**1,081**	**222**	**142**	**1,415**	**681**	**(693)**	**(73)**
Derivatives on CO_2:								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	279	162	301	68	1	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on CO_2	**279**	**162**	**301**	**68**	**1**	**-**	**-**	**-**
TOTAL DERIVATIVES ON COMMODITIES	**2,554**	**2,342**	**756**	**344**	**2,706**	**1,482**	**(1,026)**	**(198)**

The table reports the notional amount and fair value of derivatives hedging the price risk on commodities at December 31, 2018 and at December 31, 2017, broken down by type of hedge. The positive fair value of cash flow hedge derivatives on commodities regards derivatives on gas and oil commodities in the amount of €222 million, derivatives on CO_2 (€301 million), derivatives on power (€159 million) and, to a lesser extent, hedges of coal purchases requested by the generation companies in the amount of €74 million. The first category primarily regards hedges of fluctuations in the price of natural gas, for both purchases and sales, carried out for oil commodities and gas products with physical delivery (all-in-one hedges).

Cash flow hedge derivatives on commodities included in liabilities regard derivatives on gas and oil commodities in the amount of €693 million, derivatives on power in the amount of €239 million and derivatives on coal (€94 million).

Cash flow hedge derivatives

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

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2018	2019	2020	2021	2022	2023	Beyond
Cash flow hedge derivatives on commodities:							
- positive fair value	756	494	178	4	5	6	69
- negative fair value	(1,026)	(859)	(143)	(10)	(7)	(5)	(2)

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

Millions of euro	
Opening balance at January 1, 2017	**345**
Changes in fair value recognized in equity (OCI)	409
Changes in fair value recognized in profit or loss	(513)
Closing balance at December 31, 2017	**241**
Opening balance at January 1, 2018	**241**
Changes in fair value recognized in equity (OCI)	(199)
Changes in fair value recognized in profit or loss	(129)
Closing balance at December 31, 2018	**(87)**

46.2 Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 2018 and December 31, 2017.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2018	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017	**at Dec. 31, 2018**	at Dec. 31, 2017
Derivatives at FVTPL								
Derivatives on interest rates:								
- interest rate swaps	50	394	2	3	566	138	(79)	(68)
- interest rate options	-	-	-	-	50	50	(5)	(6)
Derivatives on exchange rates:								
- currency forwards	4,092	4,576	54	85	1,175	1,759	(18)	(46)
- CCIRSs	162	-	1	-	2,117	90	(18)	(2)
Derivatives on commodities								
Derivatives on power:								
- swaps	1,070	776	167	125	229	608	(28)	(107)
- forwards/futures	6,260	3,439	814	457	6,955	3,500	(1,016)	(522)
- options	15	7	28	9	20	16	(11)	(5)
Total derivatives on power	**7,345**	**4,222**	**1,009**	**591**	**7,204**	**4,124**	**(1,055)**	**(634)**
Derivatives on coal:								
- swaps	201	369	56	86	823	294	(48)	(57)
- forwards/futures	-	29	-	1	-	4	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on coal	**201**	**398**	**56**	**87**	**823**	**298**	**(48)**	**(57)**
Derivatives on gas and oil:								
- swaps	896	534	215	125	728	629	(186)	(123)
- forwards/futures	11,894	7,653	1,640	823	12,712	7,483	(1,531)	(732)
- options	225	181	147	254	289	216	(165)	(293)
Total derivatives on gas and oil	**13,015**	**8,368**	**2,002**	**1,202**	**13,729**	**8,328**	**(1,882)**	**(1,148)**
Derivatives on CO_2:								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	243	97	68	30	221	79	(65)	(34)
- options	-	1	-	1	-	1	-	(1)
Total derivatives on CO_2	**243**	**98**	**68**	**31**	**221**	**80**	**(65)**	**(35)**
Derivatives on other:								
- swaps	9	-	2	-	-	90	-	(5)
- forwards/futures	1	-	-	-	1	-	-	-
- options	-	-	-	-	-	-	-	-
Total derivatives on other	**10**	**-**	**2**	**-**	**1**	**90**	**-**	**(5)**
Embedded derivatives	-	-	-	-	-	-	-	-
TOTAL DERIVATIVES	**25,118**	**18,056**	**3,194**	**1,999**	**25,886**	**14,957**	**(3,169)**	**(2,001)**

At December 31, 2018 the notional amount of trading derivatives on interest rates came to €666 million. The fair value of a negative €81 million deteriorated by €10 million on the previous year, mainly due to developments in the yield curve.

At December 31, 2018, the notional amount of derivatives on exchange rates was €7,546 million. The overall increase in their notional value and the decline in the associated net fair value of €18 million mainly reflected normal operations and developments in exchange rates.

At December 31, 2018, the notional amount of derivatives on commodities came to €42,792 million. The fair value of trading derivatives on commodities classified as assets

mainly reflects the market valuation of hedges of gas and oil amounting to €2,002 million and derivatives on power amounting to €1,009 million.
The fair value of trading derivatives on commodities classified as liabilities mainly regards hedges of gas and oil amounting to €1,882 million and derivatives on power amounting to €1,055 million.
These values include transactions that, although established for hedging purposes, did not meet the requirements for hedge accounting.
The "Other" category includes hedges using weather derivatives. In addition to commodity risk, the Group companies are also exposed to changes in volumes associated with weather conditions (for example, temperature impacts the consumption of gas and power).

47. Assets measured at fair value

The Group determines fair value in accordance with IFRS 13 whenever such measurement is required by the international accounting standards as a recognition or measurement criterion.
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 best proxy of fair value is market price, i.e. the current publically available price actually used on a liquid and active market.
The fair value of assets and liabilities is classified in accordance with the three-level hierarchy described below, depending on the inputs and valuation techniques used in determining their fair value:

- Level 1, where the fair value is determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2, where the fair value is determined on basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices);
- Level 3, where the fair value is determined on the basis of unobservable inputs.

This note also provides detailed disclosures concerning the valuation techniques and inputs used to perform these measurements.
To that end:

- recurring fair value measurements of assets or liabilities are those required or permitted by the IFRSs in the balance sheet at the close of each period;
- non-recurring fair value measurements are those required or permitted by the IFRSs in the balance sheet in particular circumstances.

For general information or specific disclosures on the accounting treatment of these circumstances, please see note 2 "Accounting policies and measurement criteria".

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the financial statements, 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 of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	**Fair value**	Level 1	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Equity investments in other entities at FVOCI	26	**53**	2	12	39	**-**	-	-	-
Securities at FVOCI	26.1, 30.1	**360**	360	-	-	**72**	72	-	-
Securities at FVTPL	26.1	**10**	-	-	10	**-**	-	-	-
Financial assets from service concession arrangements at FVTPL	26	**2,070**	-	2,070	-	**-**	-	-	-
Loans and receivables measured at fair value	26	**359**	-	-	359	**92**	92	-	-
Other investments of liquidity at fair value	32	**-**	-	-	-	**84**	84	-	-
Cash flow hedge derivatives:									
- on interest rates	46	**12**	-	12	-	**1**	-	1	-
- on exchange rates	46	**675**	-	675	-	**252**	-	252	-
- on commodities	46	**262**	11	251	-	**494**	171	323	-
Fair value hedge derivatives:									
- on interest rates	46	**6**	-	6	-	**1**	-	1	-
- on exchange rates	46	**19**	-	19	-	**3**	-	3	-
Trading derivatives:									
- on interest rates	46	**2**	-	2	-	**-**	-	-	-
- on exchange rates	46	**4**	-	4	-	**51**	-	51	-
- on commodities	46	**25**	9	16	-	**3,112**	1,951	1,159	2
Inventories measured at fair value	28	**37**	37	-	-	**-**	-	-	-
Contingent consideration	27	**91**	-	91	-	**-**	-	-	-

The fair value of "Equity investments in other entities at FVOCI" is determined for listed companies on the basis of the quoted price set on the closing date of the year, while that for unlisted companies is based on a reliable valuation of the relevant assets and liabilities.

"Financial assets from service concession arrangements at FVTPL" concern electricity distribution operations in Brazil, mainly by Enel Distribuição São Paulo, Enel Distribuição Rio, Enel Distribuição Ceará and Enel Green Power Volta Grande and are accounted for in accordance with IFRIC 12. Fair value was estimated as the net replacement cost based on the most recent rate information available and on the general price index for the Brazilian market.

The non-current portion of "Loans and receivables measured at fair value" includes (recognized in level 3) the fair value of the receivable from the disposal of Slovak Power Holding of €359 million at December 31, 2018. The fair value is determined on the basis of the price formula specified in the contract.

The fair value of derivative contracts is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on a regulated market is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, volatility), discounting expected future cash flows on the basis of the market yield curve and translating amounts in currencies other than the euro using exchange rates provided by the World Markets Reuters (WMR) Company. For contracts involving commodities, the measurement is conducted using prices, where available, for the same instruments on both regulated and unregulated markets.

In accordance with the new international accounting standards, in 2013 the Group included a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk. More specifically, the Group measures CVA/DVA using a Potential Future Exposure valuation technique for the net exposure of the position and subsequently allocating the adjustment to the individual financial instruments that make up the overall portfolio. All of the inputs used in this technique are observable on the market.

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 year-end exchange rates provided by the World Markets Reuters (WMR) Company.

The notional amounts of derivatives reported here do not necessarily represent amounts exchanged between the parties and therefore are not a measure of the Group's credit risk exposure. For listed debt instruments, the fair value is given by official prices. For unlisted instruments the fair value is determined using appropriate valuation techniques for each category of financial instrument and market data at the closing date of the year, including the credit spreads of Enel SpA.

47.1 Fair value of other assets

For each class of assets not measured at fair value on a recurring basis but whose fair value must be reported, the following table reports the fair value at the end of the period and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	**Fair value**	Level 1	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Loans and receivables	26, 30	**608**	-	130	478	**1,385**	-	1,254	131
Investment property	19	**196**	22	-	174	**-**	-	-	-
Inventories	26	**57**	-	-	57	**-**	-	-	-

The table reports the fair value of investment property and inventories of real estate not used in the business in the amount of €196 million and €57 million respectively. The amounts were calculated with the assistance of appraisals conducted by independent experts, who used different methods depending on the specific assets involved.

"Loans and receivables" mainly regards e-distribuzione's receivables for the elimination of the Electrical Workers Pension Fund and for the reimbursement of charges connected with the early retirement of electromechanical meters.

48. Liabilities measured at fair value

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

Millions of euro		Non-current liabilities				Current liabilities			
	Notes	**Fair value**	Level 1	Level 2	Level 3	**Fair value**	Level 1	Level 2	Level 3
Cash flow hedge derivatives:									
- on interest rates	46	**605**	-	605	-	**1**	-	1	-
- on exchange rates	46	**1,803**	-	1,803	-	**348**	-	348	-
- on commodities	46	**167**	67	100	-	**859**	491	368	-
Trading derivatives:									
- on interest rates	46	**17**	-	17	-	**66**	-	66	-
- on exchange rates	46	**3**	-	3	-	**33**	-	33	-
- on commodities	46	**14**	7	7	-	**3,036**	1,653	1,383	-
Contingent consideration	38, 42	**117**	-	117	-	**109**	-	109	-

Contingent consideration regards the Enel X Business Line and Enel Green Power North America, whose fair value was determined on the basis of the contractual terms and conditions.

The fair value of derivatives on commodities classified as level 3 regards the measurement of hedging derivatives on weather indices (weather derivatives). For these contracts, measurement uses certified historical data on the underlying variables. For example, an HDD ("Heating Degree Days") derivative on a given measurement station indicated in the derivative contract is measured at fair value by calculating the difference between the agreed strike and the historical average of the same variable observed at the same station.

48.1 Fair value of other liabilities

For each class of liabilities not measured at fair value in the balance sheet but whose fair value must be reported, the following table reports the fair value at the end of the period and the level in the fair value hierarchy into which the fair value measurements of those liabilities are classified.

Millions of euro

	Notes	**Fair value**	Level 1	Level 2	Level 3
Bonds:					
- fixed rate	43.3.1	**38,507**	35,179	3,328	-
- floating rate	43.3.1	**4,220**	165	4,055	-
Bank borrowings:					
- fixed rate	43.3.1	**1,539**	-	1,539	-
- floating rate	43.3.1	**9,027**	-	9,027	-
Non-bank borrowings:					
- fixed rate	43.3.1	**1,585**	-	1,585	-
- floating rate	43.3.1	**182**	-	182	-
Total		**55,060**	**35,344**	**19,716**	**-**

49. Related parties

As an operator in the field of generation, distribution, transport and sale of electricity and the sale of natural gas, Enel carries out transactions with a number of companies directly or indirectly controlled by the Italian State, the Group's controlling shareholder.

The table below summarizes the main types of transactions carried out with such counterparties.

Related party	Relationship	Nature of main transactions
Acquirente Unico - Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhanced-protection market
Cassa Depositi e Prestiti Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market (Terna) Sale of electricity transport services (Eni Group) Purchase of transport, dispatching and metering services (Terna) Purchase of postal services (Poste Italiane) Purchase of fuels for generation plants and natural gas storage and distribution services (Eni Group)
GSE - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
GME - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange (GME) Purchase of electricity on the Power Exchange for pumping and plant planning (GME)
Leonardo Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods

In addition, the Group conducts essentially commercial transactions with associated companies or companies in which it holds minority interests.

Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Fondazione Enel and Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.

All transactions with related parties were carried out on normal market terms and conditions, which in some cases are determined by the Regulatory Authority for Energy, Networks and the Environment.

The following tables summarize transactions with related parties, associated companies and joint arrangements outstanding at December 31, 2018 and December 31, 2017 and carried out during the period.

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Income statement						
Revenue from sales and services	-	1,952	2,622	389	222	-
Other revenue and income	-	-	6	7	3	-
Other financial income	-	-	1	-	-	-
Purchases of electricity, gas and fuel	3,228	3,234	1,136	-	-	-
Costs for services and other materials	-	52	2,299	3	163	-
Other operating expenses	6	262	4	-	-	-
Net income/(expense) from commodity risk management	-	-	1	-	-	-
Other financial expense	-	-	16	8	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Balance sheet						
Trade receivables	-	120	717	20	36	-
Other current financial assets	-	-	-	-	-	-
Other current assets	-	8	10	146	-	-
Derivative assets	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	6	-
Long-term borrowings	-	-	804	-	-	-
Trade payables	871	160	983	833	19	-
Other current liabilities	-	2	7	-	-	-
Current contract liabilities	-	-	11	-	14	-
Current derivative liabilities	-	-	-	-	-	-
Current portion of long-term borrowings	-	-	89	-	-	-
Other information						
Guarantees issued	-	250	354	-	132	-
Guarantees received	-	-	135	-	16	-
Commitments	-	-	29	-	7	-

Total 2018	Associates and joint arrangements	Overall total 2018	Total in financial statements	% of total
5,185	202	**5,387**	**73,134**	**7.4%**
16	22	**38**	**2,538**	**1.5%**
1	58	**59**	**1,715**	**3.4%**
7,598	139	**7,737**	**35,728**	**21.7%**
2,517	127	**2,644**	**18,870**	**14.0%**
272	-	**272**	**2,889**	**9.4%**
1	9	**10**	**483**	**2.1%**
24	31	**55**	**4,392**	**1.3%**

Total at Dec. 31, 2018	Associates and joint arrangements	Overall total at Dec. 31, 2018	Total in financial statements	% of total
893	192	**1,085**	**13,587**	**8.0%**
-	21	**21**	**5,160**	**0.4%**
164	1	**165**	**2,983**	**5.5%**
-	52	**52**	**3,914**	**1.3%**
6	80	**86**	**1,901**	**4.5%**
804	-	**804**	**48,983**	**1.6%**
2,866	58	**2,924**	**13,387**	**21.8%**
9	60	**69**	**12,107**	**0.6%**
25	-	**25**	**1,095**	**2.3%**
-	35	**35**	**4,343**	**0.8%**
89	-	**89**	**3,367**	**2.6%**
736	-	**736**		
151	-	**151**		
36	-	**36**		

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Income statement						
Revenue from sales and services	1	1.767	2.668	443	89	-
Other revenue and income	-	-	2	-	3	-
Other financial income	-	-	-	-	-	-
Purchases of electricity, gas and fuel	3.345	2.458	1.636	-	4	-
Costs for services and other materials	-	75	2.340	5	115	-
Other operating expenses	4	524	3	-	-	-
Net income/(expense) from commodity risk management	-	-	32	-	-	-
Other financial expense	-	-	-	1	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
Balance sheet						
Trade receivables	-	77	526	57	34	-
Other current financial assets	-	-	-	-	-	-
Other current assets	-	-	24	129	1	-
Derivative assets	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	6	-
Long-term borrowings	-	-	893	-	-	-
Trade payables	682	110	543	977	11	-
Other current liabilities	-	-	10	-	-	-
Current derivative liabilities	-	-	-	-	-	-
Current portion of long-term borrowings	-	-	89	-	-	-
Other information						
Guarantees issued	-	280	360	-	108	-
Guarantees received	-	-	208	-	23	-
Commitments	-	-	46	-	6	-

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at https://www.enel.com/investors/bylaws-rules-and-policies/transactions-with-related-parties) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2018, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution 17221 of March 12, 2010, as amended with Resolution 17389 of June 23, 2010.

Total 2017	Associates and joint arrangements	Overall total 2017	Total in financial statements	% of total
4,968	156	5,124	72,664	7.1%
5	17	22	1,975	1.1%
-	18	18	2,371	0.8%
7,443	318	7,761	36,039	21.5%
2,535	129	2,664	17,982	14.8%
531	-	531	2,886	18.4%
32	(5)	27	578	4.7%
1	24	25	3,908	0.6%

Total at Dec. 31, 2017	Associates and joint arrangements	Overall total at Dec. 31, 2017	Total in financial statements	% of total
694	138	832	14,529	5.7%
-	3	3	4,614	0.1%
154	8	162	2,695	6.0%
-	11	11	2,309	0.5%
6	30	36	2,003	1.8%
893	-	893	42,439	2.1%
2,323	42	2,365	12,671	18.7%
10	27	37	12,462	0.3%
-	9	9	2,260	0.4%
89	-	89	7,000	1.3%
748	-	748		
231	-	231		
52	-	52		

50. Government grants - Disclosure pursuant to Article 1, paragraphs 125-129, of Law 124/2017

Pursuant to Article 1, paragraphs 125-129, of Law 124/2017 as amended, the following provides information on grants received from Italian public agencies and bodies, as well as donations by Enel SpA and the fully consolidated subsidiaries to companies, individuals and public and private entities. The disclosure comprises: (i) grants received from Italian public entities/State entities; and (ii) donations made by Enel SpA and Group subsidiaries to public or private parties resident or established in Italy.

The following disclosure includes payments in excess of €10,000 made by the same grantor/donor during 2018, even if made through multiple financial transactions. They are recognized on a cash basis.

Pursuant to the provisions of Article 3-*quater* of Decree Law 135 of December 14, 2018, ratified with Law 12 of February 11, 2019, for grants received, please refer to the information contained in the National Register of State Aid referred to in Article 52 of Law 234 of December 24, 2012.

As far as donations made are concerned, the material cases are listed below.

Grants received in millions of euro

Financial institution/Grantor	Beneficiary	Amount	Notes
Min. Education, Universities & Research (MIUR)	e-distribuzione	**0.10**	Instalment of grant received for Internet of Energy project, funded as part of the Artemis - Joint Undertaking tender
Emilia-Romagna Region	e-distribuzione	**1.25**	Grant received as part of Decree Law 74/2012 financing - Urgent measures for those affected by seismic events of May 20 and 29 2012 in Emilia Romagna
Intesa Sanpaolo	Enel Produzione SpA	**0.09**	Ascoli P.R. Project - Balance of grant received under funding initiative - Tender 14 - Industry 2002 - Law 488/1992
Intesa Sanpaolo	Enel Produzione SpA	**0.44**	Volturno 2 project - Balance of grant received under funding initiative - Tender 14 - Industry 2002 - Law 488/1992
Enel SpA	Enel X Srl	**0.09**	R&D project co-financed by EU and national resources. Instalment of prefinancing transferred by Enel SpA, following assignment of financing contract to Enel X - Connect Project
ECSEL JU-MIUR	Enel X Srl	**0.10**	R&D project co-financed by EU and national resources. Receipt of prefinancing - WinSic4AP Project
Min. Economic Development (MiSE)	Enel Green Power SpA	**0.16**	Intermediate instalment of grant received for O.M.E.G.A. Project financed within FIT Technology Innovation Programs under Law 46/1982
SIMEST SpA	Enel Green Power SpA	**0.12**	Interest subsidies on loans for investments in foreign enterprises held in part by SIMEST. Palo Viejo 2 Project (Guatemala), funded under Art. 4 of Law 100/1990
SIMEST SpA	Enel Green Power SpA	**0.63**	Interest subsidies on loans for investments in foreign enterprises held in part by SIMEST. Chucas Project (Costa Rica), funded under Art. 4 of Law 100/1990
SIMEST SpA	Enel Green Power SpA	**0.57**	Interest subsidies on loans for investments in foreign enterprises held in part by SIMEST. Talinay Project (Chile), funded under Art. 4 of Law 100/1990
		3.55	**Total**

Donations made
in millions of euro

Donor	Beneficiary	Amount	Notes
e-distribuzione SpA	Public Security Department of Ministry of the Interior, State Police, Central Highway Police Office	**0.12**	Donation of 10 Top Crash systems to support Highway Police operations
e-distribuzione SpA	Fondazione Centro Studi	**0.63**	1st payment on account for 2017 donation
e-distribuzione SpA	Fondazione Centro Studi	**1.07**	2nd payment on account for 2017 donation
e-distribuzione SpA	Fondazione Centro Studi	**1.70**	Balance of 2017 donation
e-distribuzione SpA	Fondazione Centro Studi	**1.59**	50% of 2018 donation
e-distribuzione SpA	Enel Cuore	**0.04**	Association dues 2018
e-distribuzione SpA	Enel Cuore	**0.63**	20% of 2017 donation
e-distribuzione SpA	Enel Cuore	**2.52**	80% balance of 2017 donation
e-distribuzione SpA	Enel Cuore	**0.65**	20% of 2018 donation
Enel Produzione SpA	Public Security Department of Ministry of the Interior, State Police, Central Highway Police Office	**0.01**	Donation of 1 Top Crash system to support Highway Police operations
Enel Produzione SpA	Fondazione Centro Studi	**0.03**	50% of 2018 donation
Enel Produzione SpA	Enel Cuore	**0.04**	Association dues 2018
Enel Produzione SpA	Enel Cuore	**0.01**	20% of 2018 donation
Enel Energia SpA	Public Security Department of Ministry of the Interior, State Police, Central Highway Police Office	**0.01**	Donation of 1 Top Crash system to support Highway Police operations
Enel Energia SpA	Fondazione Centro Studi	**1.10**	Balance of 2017 donation
Enel Energia SpA	Fondazione Centro Studi	**0.80**	50% of 2018 donation
Enel Energia SpA	Enel Cuore	**0.04**	Association dues 2018
Enel Energia SpA	Enel Cuore	**0.41**	20% of 2017 donation
Enel Energia SpA	Enel Cuore	**1.64**	80% balance of 2017 donation
Enel Energia SpA	Enel Cuore	**0.06**	Donation for Schools Project
Enel Energia SpA	Enel Cuore	**0.32**	20% of 2018 donation
Enel Italia Srl	Public Security Department of Ministry of the Interior, State Police, Central Highway Police Office	**0.02**	Donation of 2 Top Crash systems to support Highway Police operations
Enel Italia Srl	Enel Cuore	**0.04**	Association dues 2018
Enel Italia Srl	Enel Cuore	**0.01**	20% of 2017 donation
Enel Italia Srl	Enel Cuore	**0.04**	80% balance of 2017 donation
Enel Italia Srl	Enel Cuore	**0.02**	20% of 2018 donation
Enel Italia Srl	Fondazione Centro Studi	**0.03**	Balance of 2017 donation
Enel Italia Srl	Fondazione Centro Studi	**0.04**	50% of 2018 donation
Enel Green Power SpA	Public Security Department of Ministry of the Interior, State Police, Central Highway Police Office	**0.03**	Donation of 2 Top Crash systems to support Highway Police operations
Enel Green Power SpA	Ethiopian Catholic Church Social and Development	**0.45**	Health Service Program in Saint Luke Catholic Hospital and College of Nursing and Midwifery: donation of hybrid photovoltaic system
Enel Green Power SpA	Treasury of Roma Capitale-Cultural Heritage Superintendency	**0.18**	Redevelopment of external areas of "Giardino Caffarelli" and "Giardino De Vico" plus restoration of three fountains
Enel Green Power SpA	Fondazione Centro Studi	**0.12**	Balance of 2017 donation
Enel Green Power SpA	Enel Cuore	**0.04**	Association dues 2018
Enel Green Power SpA	Enel Cuore	**0.05**	20% of 2017 donation
Enel Green Power SpA	Enel Cuore	**0.20**	80% balance of 2017 donation
Enel Green Power SpA	Renewable Energy Solutions for the Mediterranean (RES4MED)	**0.06**	Association dues 2018
Enel Green Power SpA	Renewable Energy Solutions for the Mediterranean (RES4MED)	**0.06**	Association dues 2019

Donations made
in millions of euro

Donor	Beneficiary	Amount	Notes
Enel Green Power SpA	Shared Value Project Limited	**0.02**	Association dues 2018
Enel SpA	Public Security Department of Ministry of the Interior, State Police, Central Highway Police Office	**0.02**	Donation of 2 Top Crash systems to support Highway Police operations
Enel SpA	ASHOKA Italia ONLUS	**0.06**	Donation to promote sustainable growth
Enel SpA	European University Institute	**0.10**	Donation to support research
Enel SpA	Fondazione Centro Studi Enel	**0.10**	Donation to support research and advanced training projects
Enel SpA	Enel Cuore	**0.04**	Association dues 2018
Enel SpA	LUISS	**0.06**	Donation to support study grants
Enel SpA	Fondazione Teatro del Maggio Musicale	**0.40**	Donation for cultural projects 2018
Enel SpA	Fondazione MAXXI	**0.59**	Donation for cultural projects 2018
Enel SpA	Fondazione Accademia Nazionale "Santa Cecilia"	**0.50**	Donation for cultural projects 2018
Enel SpA	Elettrici senza frontiere	**0.04**	Donation for development energy
Enel SpA	Fondazione Teatro alla Scala	**0.60**	Donation for cultural projects 2018
Enel SpA	OECD	**0.08**	Donation for 2018
Enel SpA	Enel X Srl	**0.09**	R&D project co-financed by EU and national resources. Instalment transferred by Enel SpA, following assignment of financing contract to Enel X - Connect Project
Enel SpA	CharIN - Charging Interface Initiative e. V.	**0.01**	Association dues 2018
Enel SpA	Fondazione Italia Giappone	**0.02**	Association dues 2018
Enel SpA	OME - Observatorie Méditerranéen de l'Energie	**0.06**	Association dues 2018
Enel SpA	Global Reporting Initiative	**0.01**	Association dues 2018
Enel SpA	WBCSD	**0.06**	Association dues 2018
Enel SpA	Open Innovation Corporation	**0.04**	Association dues 2018
Enel SpA	A.I.I.A.- Associazione Italiana	**0.01**	Association dues 2018
Enel SpA	ANIMA	**0.01**	Association dues 2018
Enel SpA	Mind the bridge	**0.12**	Association dues 2018
Enel SpA	EU40 ASBL	**0.02**	Association dues 2018
Enel SpA	Centre on regulation in Europe	**0.04**	Association dues 2018
Enel SpA	ASSONIME	**0.04**	Association dues 2018
Enel SpA	EUTC	**0.01**	Association dues 2018
Enel SpA	BRUEGEL	**0.05**	Association dues 2018
Enel SpA	Bettercoal	**0.07**	Association dues 2018
Enel SpA	International Integrated	**0.01**	Association dues 2018
Enel SpA	IETA - International Emissions Trading Association	**0.02**	Association dues 2018
Enel SpA	Valore D.	**0.02**	Association dues 2018
Enel SpA	CSR Europe Asbli	**0.02**	Association dues 2018
Enel SpA	Roma Start up	**0.01**	Association dues 2018
Enel SpA	Transparency International Italia	**0.02**	Association dues 2018
Enel SpA	FSG INC.	**0.06**	Association dues 2018
Enel SpA	The European House Ambrosetti	**0.07**	Association dues 2018
Enel SpA	The Trilateral Commission	**0.03**	Association dues 2018
Enel SpA	ISPI - Istituto Studi di Politica Internazionale	**0.04**	Association dues 2018
Enel SpA	Consiglio Cooperazione Economica	**0.03**	Association dues 2018
Enel SpA	CEPS - Centre for European Policy Studies	**0.01**	Association dues 2018
Enel SpA	CONSIUSA - Consiglio per le Relazioni fra Italia e Stati Uniti	**0.01**	Association dues 2018
Enel SpA	Centro Studi Americani	**0.02**	Association dues 2018
Enel SpA	Transparency International Italia	**0.02**	Association dues 2018
Enel SpA	CONSEL	**0.02**	Association dues 2018
Enel SpA	GSEP - Global Sustainable Electricity Partnership	**0.10**	Association dues 2018
Enel SpA	Human Foundation	**0.03**	Association dues 2018
Enel SpA	Open Innovation Corporation	**0.03**	Association dues 2018
Enel SpA	Foundation for the global compact	**0.05**	Association dues 2018
Enel SpA	Innovation Roundtable ApS	**0.01**	Association dues 2018
Enel SpA	KIC INNOENERGY IBERIA	**0.04**	Association dues 2018
Enel SpA	EMF Trading - Ellen MacArthur Foundation	**0.04**	Association dues 2018

Enel SpA	ICC ITALIA	**0.01**	Association dues 2018
Enel SpA	Business Europe	**0.02**	Association dues 2018
Enel Global Trading SpA	Enel Cuore	**0.04**	Association dues 2018
Enel X Srl	Enel Cuore	**0.04**	Association dues 2018
Enel Sole Srl	Enel Cuore	**0.02**	Balance donation 2016
		18.92	**Total**

51. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below:

Millions of euro

	at Dec. 31, 2018	at Dec. 31, 2017	Change
Guarantees given:			
- sureties and other guarantees granted to third parties	10,310	8,171	2,139
Commitments to suppliers for:			
- electricity purchases	109,638	79,163	30,475
- fuel purchases	43,668	42,302	1,366
- various supplies	3,122	3,119	3
- tenders	3,133	3,334	(201)
- other	3,270	2,912	358
Total	**162,831**	**130,830**	**32,001**
TOTAL	**173,141**	**139,001**	**34,140**

For more details on the expiry of commitments and guarantees, please see the section "Commitments to purchase commodities" in note 44.

52. Contingent assets and liabilities

The following reports the main contingent assets and liabilities at December 31, 2017, which are not recognized in the financial statements as they do not meet the requirements provided for in IAS 37.

Porto Tolle thermal plant - Air pollution - Criminal proceedings against Enel directors and employees

The Court of Adria, in a ruling issued on March 31, 2006, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and public authorities. Damages for a number of mainly private parties (individuals and environmental associations), were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (Ministry for the Environment, a number of public entities of Veneto and Emilia Romagna, including the area's park agencies) was postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due.

An appeal was lodged against the ruling of the Court of Adria and on March 12, 2009, the Court of Appeal of Venice partially reversed the lower court decision. It found that the former directors had not committed a crime and that there was no environmental damage and therefore ordered recovery of the provisional award already paid. The prosecutors and the civil claimants lodged an appeal against the ruling with the Court of Cassation. In a ruling on January 11, 2011, the Court of Cassation granted the appeal, overturning the decision of the Venice Court of Appeal, and referred the case to the civil section of the Venice Court of Appeal to rule as regards payment of damages and the division of such damages among the accused. As regards amounts paid to a number of public entities in Veneto, Enel has already made payment under a settlement agreement reached in 2008. With a suit lodged in July 2011, the Ministry for the Environment, the public entities of Emilia Romagna and the private actors who had already participated as injured parties in the criminal case asked the Venice Court of Appeal to order Enel SpA and Enel Produzione to pay civil damages for harm caused by the emissions from the Porto Tolle power station. The amount of damages requested for economic and environmental losses was about €100 million, which Enel contested. During 2013, an agreement was reached – with no admission of liability by Enel/Enel Produzione – with the public entities of Emilia Romagna to express social solidarity in line with the general sustainability policies of the Group. The suits with the Ministry and private parties (environmental associations and a number of resident individuals, who have received no payments from Enel during the proceedings) remain open. On July 10, 2014, the decision of the Venice Court of Appeal was filed ordering the defendants, jointly with Enel/Enel Produzione, to pay damages in the amount of €312,500, plus more than €55,000 in legal expenses. The Ministry's request for calculation of the amount of damages it claimed it was owed was deemed inadmissible, as grounds for barring such action arose in the course of the criminal proceedings. In the meantime the Court issued a general conviction with damages to be awarded in a separate decision and ordered payment of legal costs. Enel lodged an appeal with the Court of Cassation in February 2015 of the ruling of the Venice Court of Appeal of July 10, 2014 and is currently waiting for the date of the hearing to be set. On September 25, 2018, the Court of Cassation upheld one of the grounds of the appeal, overturning the general ruling in favor of the Ministry for the Environment and referring the proceeding to the Venice Court of Appeal for it to rule on any damages. At present, the Ministry has not yet appealed the case to the Venice Court of Appeal.

Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

A criminal proceeding was held before the Court of Brindisi concerning the Brindisi Sud thermal plant. A number of employees of Enel Produzione – cited in 2013 as a liable party in civil litigation – have been accused of causing criminal damage and dumping of hazardous substances with regard to the alleged contamination of land adjacent to the plant with coal dust as a result of actions between 1999 and 2011. At the end of 2013, the accusations were extended to cover 2012 and 2013. As part of the proceeding, injured parties, including the Province and City of Brindisi, have submitted claims for total damages of about €1.4 billion. In its decision of October 26, 2016, the Court of Brindisi: (i) acquitted nine of the thirteen defendants (employees/managers of Enel Produzione) for not having committed the offense; (ii) ruled that it did not have to proceed as the offense was time-barred for two of the defendants; and (iii) convicted the remaining two defendants, sentencing them with all the allowances provided for by law to nine months' imprisonment. With regard to payment of damages, the Court's ruling also: (i) denied all claims of public parties and associations acting in the criminal proceeding to recover damages; and (ii) granted most of the claims filed by the private parties acting to recover damages, referring the latter to the civil courts for quantification without granting a provisional award. The convicted employees and the civil defendant, Enel Produzione SpA, as well as by the employee for whom the expiry of period of limitations had been declared, appealed the conviction. On February 8, 2019, the Lecce Court of Appeal: (i) confirmed the trial court ruling regarding the criminal convictions of two Enel Produzione executives; (ii) denied the claims for damages of some private appellants; (iii) granted some claims for damages, which had been denied in the trial court, referring the parties, like the others – whose claims had been granted by the trial court – to the civil courts for quantification, without granting a provisional award; (iv) confirmed for the rest the ruling of the Court of Brindisi except for extending litigation costs to the Province of Brindisi, which had not been awarded damages at either the trial court or on appeal. Criminal proceedings are also under way before the Courts of Reggio Calabria and Vibo Valentia against a number of employees of Enel Produzione for the offense of illegal waste disposal in connection with alleged violations concerning the disposal of waste from the Brindisi plant. Enel Produzione has not been cited as a liable party for civil damages.

The criminal proceedings before the Court of Reggio Calabria ended with the hearing of June 23, 2016. The court acquitted nearly all of the Enel defendants of the main charges because no crime was committed. Just one case was dismissed under the statute of limitations. Similarly, all of the remaining charges involving minor offenses were dismissed under the statute of limitations. The proceedings before the Court of Vibo Valentia are still pending and are currently in the testimony phase (they were again adjourned to February 28, 2019, in order to hear the testimony of the witnesses called by the other defendants), as the court ruled that the offenses could not be dismissed under the statute of limitations.

Out-of-court disputes and litigation connected with the blackout of September 28, 2003

In the wake of the blackout that occurred on September 28, 2003, numerous claims were filed against Enel Distribuzione (now e-distribuzione) for automatic and other indemnities for losses. These claims gave rise to substantial litigation before justices of the peace, mainly in the regions of Calabria, Campania and Basilicata, with a total of some 120,000 proceedings. Charges in respect of such indemnities could be recovered in part under existing insurance policies. Most of the initial rulings by these judges found in favor of the plaintiffs, while appellate courts have nearly all found in favor of Enel Distribuzione. The Court of Cassation has also consistently ruled in favor of Enel Distribuzione. In addition, in view of the rulings in Enel's favor by both the courts of appeal and the Court of Cassation, the flow of new claims has come to a halt. Beginning in 2012, a number of actions for recovery were initiated, which continue, to obtain repayment of amounts paid by Enel in execution of the rulings in the courts of first instance.

In May 2008, Enel served its insurance company (Cattolica) a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings. The case also involved a number of reinsurance companies in the proceedings, which have challenged Enel's claim. In a ruling of October 21, 2013, the Court of Rome granted Enel's petition, finding the insurance coverage to be valid and ordering Cattolica, and consequently the reinsurance companies, to hold Enel harmless in respect of amounts paid or to be paid to users and their legal counsel as well as, within the limits established by the policies, to pay defense costs.

Subsequently, Cattolica appealed the ruling of the court of first instance of October 21, 2013, before the Rome Court of Appeal, asking that it be overturned. In a ruling published on October 9, 2018, the Rome Court of Appeal denied the appeal of Cattolica, thereby upholding the original ruling.

On the basis of the ruling of October 21, 2013, in October 2014, Enel filed suit against Cattolica with the Court of Rome to obtain a quantification and payment of the amounts due to Enel from Cattolica. At the hearing of October 3, 2016, the court denied the counterparties' petition for a suspension of the proceeding pending completion of the appeals process. In a ruling of July 12, 2017 the court decided on the basis of the preliminary briefs to adjourn the suit until November 25, 2019 for closing arguments.

Enel Energia and Servizio Elettrico Nazionale antitrust proceeding

On May 11, 2017, the Competition Authority announced the beginning of proceedings for alleged abuse of a dominant position under Article 102 of the Treaty on the Functioning of the European Union (TFEU) against Enel SpA ("Enel"), Enel Energia SpA ("EE") and Servizio Elettrico Nazionale SpA ("SEN"), alleging, inter alia, that they had engaged in an exclusionary strategy, using a series of non-replicable commercial stratagems capable of hindering their non-integrated competitors to the benefit of the Group's company operating on the free market (EE).

On December 20, 2018 the Competition Authority adopted its final ruling, subsequently notified to the parties on January 8, 2019, with which it levied a fine on Enel SpA, SEN and Enel Energia of €93,084,790.50, for abuse of a dominant position in violation of Article 102 of the TFEU.

The disputed conduct consisted in the adoption of an exclusionary strategy through the illegitimate use of the data on regulated market customers acquired as part of the privacy consent mechanism for commercial purposes.

With regard to other allegations made with the measure to initiate the proceeding, concerning the organization and performance of sales activities at physical locations (Enel Points and Enel Point Partner Shops) and winback policies, the Competition Authority reached the conclusion that the preliminary findings did not provide sufficient evidence of any abusive conduct on the part of Enel Group companies. SEN, EE and Enel appealed the ruling before the Lazio Regional Administrative Court on February 15 and 18, 2019 and March 5, 2019, respectively.

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 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.

The European Court of Human Rights, with which Enelpower SpA and Enel SpA had filed an appeal for violation of the right to a fair trial and the rule of law by the Republic of Albania, rejected the petition as inadmissible. The ruling was purely procedural and did not address the substance of the suit.

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, originally scheduled for November 14, 2018, was postponed until May 8, 2019.

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

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 and the briefs are being exchanged between the parties. The hearing before the Paris Court of Appeal is scheduled for June 9, 2020.

State of New York

In March 2014, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA in New York to render the ruling of the Albanian court enforceable in the state of New York.

On April 22, 2014, in response to a motion filed by Enel and Enelpower, the court revoked the previous ruling issued with no hearing of the parties against the companies freezing assets of around $600 million. In a unanimous decision of February 8, 2018, the Appellate Court of the state of New York upheld the appeal of Enel SpA and Enelpower SpA, rejecting the argument that the Court of New York had jurisdiction over the request for enforcement submitted by Albania BEG Ambient Shpk. On February 23, 2018, the Supreme Court of the state of New York denied the petition of ABA to obtain recognition of the ruling of the Albanian court in the state of New York.

The Netherlands

On June 2, 2014 Albania BEG Ambient Shpk obtained an order from the court in the Hague, based upon the preliminary injunction, freezing up to €440 million held with a number of entities and the establishment of a lien on the shares of two subsidiaries of Enel SpA in that country. Enel SpA and Enelpower SpA challenged that ruling and on July 1, 2014, the Dutch court, in granting the petition of Enel and Enelpower, provisionally determined the value of the suit at €25 million and ordered the removal of the preliminary injunction subject to the issue of a bank guarantee in the amount of €25 million by Enel and Enelpower. Enel and Enelpower have appealed this ruling.

On July 3, 2014, Albania BEG Ambient Shpk petitioned for a second precautionary freeze of assets with no hearing of the parties. Following the hearing of August 28, 2014, the Hague Court granted a precautionary freeze of €425 million on September 18, 2014. Enel and Enelpower appealed that measure.

In a ruling of February 9, 2016, the Hague Court of Appeal upheld the appeals, ordering the revocation of the preliminary injunctions subject to the pledging of a guarantee by Enel of €440 million and a counter-guarantee by Albania BEG Ambient Shpk of about €50 million (the estimated value of the losses of Enel and Enelpower from the seizure of assets and the pledge of bank guarantees). Enel's guarantee was issued on March 30, 2016. Albania BEG Ambient Shpk did not issue its counter-guarantee.

On April 4, 2016, Albania BEG Ambient Shpk appealed the ruling of February 9, 2016 before the Court of Cassation in the Netherlands, which in a ruling of June 23, 2017, denied the appeal of Albania BEG Ambient Shpk, definitively deciding the revocation of the preliminary injunctions.

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 July 14, 2016, Albania BEG Ambient Shpk filed an appeal for a precautionary seizure on the basis of the Court of Amsterdam's decision of June 29, 2016 in the amount of €440 million with a number of entities and the seizure of the shares of three companies controlled by Enel SpA in the Netherlands. Enel appealed and in a ruling of August 26, 2016, the Court of Amsterdam decided that the precautionary measures issued in 2014 and 2016 would be revoked if Albania BEG Ambient Shpk did not provide a bank guarantee of €7 million to Enel and Enelpower by October 21, 2016. Albania BEG Ambient Shpk did not provide the guarantee and, accordingly, the seizures of the assets of Enel and Enelpower in the Netherlands were revoked and no longer effective as from October 21, 2016. Albania BEG Ambient Shpk appealed the decision of August 26, 2016 but the proceeding was suspended under an agreement between the parties pending the ruling of the Dutch Court of Cassation in the proceeding over the precautionary measures (which was then issued on June 23, 2017). The appeal against the decision of August 26, 2016 therefore remains suspended in the absence of a specific request by one of the parties. The suspension has had no impact on the fact that the seizures of assets in the Netherlands have not been in effect since October 2016.

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.

On January 29, 2018, oral arguments in the appellate proceeding were held, following which the Court allowed Enel and Enelpower to place in evidence the decision with which the *Tribunal de Grande Instance* of Paris denied recognition of the Albanian ruling in France.

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 additional arguments of Enel and Enelpower.

The proceeding before the Court of Appeal continues 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 October 9, 2018, Albania BEG Ambient Shpk filed a brief, to which Enel and Enelpower replied on December 6, 2018, arguing for the lack of jurisdiction of the Dutch courts and, in any case, contesting the merits in full, reiterating that the claim is entirely groundless. The case will be heard on April 8, 2019.

Ireland

Albania BEG Ambient Shpk also filed suit in Ireland to render the ruling of the Court of Tirana enforceable in this country. The High Court issued a ruling on March 8, 2016 upholding the defense of Enel and Enelpower, finding that the country had no jurisdiction. On March 31, 2017, Albania BEG Ambient Shpk filed an expedited appeal against the ruling of March 8, 2016 finding that Ireland had no jurisdiction. Enel and Enelpower responded to the appeal filing on April 7, 2017.

In a ruling of February 26, 2018, the Irish court denied the appeal of Albania BEG Ambient Shpk. Enel and Enelpower have taken action to recover the costs awarded in the ruling.

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.

Violations of Legislative Decree 231/2001

On July 14, 2017, Enel Green Power SpA received notice of charges brought before the Court of Ancona for alleged violation of Legislative Decree 231/2001 concerning the administrative liability of legal persons. The proceeding was begun for the alleged commission by an agent of the company, in the company's interest, of the offence of destruction of a natural habitat in a protected area. The case has been joined with a separate proceeding involving the same agent and two other defendants for the same alleged offences.

On 10 August 2018, a direct summons for judgment was notified to e-distribuzione to appear before the Court of Milan on May 23, 2019. In addition to e-distribuzione SpA, the proceeding involves one of its employees, as well as a number of third-party companies and their representatives, concerning alleged violations of Legislative Decree 231/2001 on the administrative liability of legal persons. The proceeding was initiated for the alleged commission of the crime of unauthorized handling of waste (Article 256 of the Uniform Environmental Code) and for the violation of the provisions of the Code of Cultural Heritage (Legislative Decree 42/2004) in relation to works to remove a power line. The examination of a number of witnesses called by the prosecutor is scheduled for a hearing on May 23, 2019.

Environmental incentives - Spain

Following the Decision of the European Commission of November 27, 2017 on the issue of environmental incentives for thermal power plants, the European Commission's Directorate-General for Competition opened an investigation pursuant to Article 108, paragraph 2, of the Treaty on the Functioning of the European Union (TFEU) in order to assess whether the environmental incentive for coal power plants provided for in Order ITC/3860/2007 represents State aid compatible with the internal market. According to a literal interpretation of that Decision, the Commission reached the preliminary conclusion that the incentive in question would constitute State aid pursuant to Article 107, paragraph 1, of the TFEU, expressing doubts about the compatibility of the incentive with the internal market while recognizing that the incentives are in line with the European Union's environmental policy. On April 13, 2018, Endesa Generación SA, acting as an interested third party, submitted comments contesting this interpretation, while on July 30, 2018, it was learned that Gas Natural had appealed the decision of the Commission.

Furnas -Tractebel litigation - Brazil

In 1998 the Brazilian company CIEN (now Enel CIEN) signed an agreement with Tractebel for the delivery of electricity from Argentina through its Argentina-Brazil interconnection line. As a result of Argentine regulatory changes introduced as a consequence of the economic crisis in 2002, CIEN was unable to make the electricity available to Tractebel. In October 2009, Tractebel sued CIEN, which submitted its defense. CIEN cited force majeure as a result of the Argentine crisis as the main argument in its defense. Out of court, Tractebel has indicated that it plans to acquire 30% of the interconnection line involved in the dispute. In March 2014, the court had granted CIEN's motion to suspend the proceedings in view of the existence of other litigation pending between the parties. On February 14, 2019, CIEN received notice of an order reopening the proceeding, with the beginning of expert witness operations. The amount involved in the dispute is estimated at about 118 million Brazilian reais (about €28 million), plus unspecified damages. For analogous reasons, in May 2010 Furnas also filed suit against CIEN for failure to deliver electricity, requesting payment of about 520 million Brazilian reais (about €124 million), in addition to unspecified damages. In alleging non-performance by CIEN, Furnas is also seeking to acquire ownership (in this case 70%) of the interconnection line. CIEN's defense is similar to the earlier case. The claims put forth by Furnas were rejected by the trial court in August 2014. Furnas lodged an appeal against the latter decision, while CIEN also lodged a counter-appeal. On August 21, 2018, the *Tribunal de Justiça* denied the appeal of Furnas while granting CIEN's petition.

Cibran litigation - Brazil

Companhia Brasileira de Antibióticos ("Cibran") has filed six suits against Ampla Energia e Serviços SA ("Ampla") to obtain damages for alleged losses incurred as a result of the interruption of electricity service by the Brazilian distribution company between 1987 and 2002, in addition to non-pecuniary damages. The Court ordered a unified technical appraisal for those cases, the findings of which were partly unfavorable to Ampla. The latter challenged the findings, asking for a new study, which led to the denial of part of Cibran's petitions. Cibran subsequently appealed the decision and the ruling was in favor of Ampla.

The first suit, filed in 1999 and regarding the years from 1994 to 1999, was adjudicated in September 2014 when the court of first instance issued a ruling against Ampla, levying a fine of about 200,000 Brazilian reais (about €46,000) as well as other damages to be quantified at a later stage. Ampla appealed the ruling and the appeal was upheld by the *Tribunal de Justiça*. In response, on December 16, 2016, Cibran filed an appeal (*recurso especial*) before the *Superior Tribunal de Justiça*, and the proceeding is under way.

With regard to the second case, filed in 2006 and regarding the years from 1987 to 2002, on June 1, 2015, the courts issued a ruling ordering Ampla to pay 80,000 Brazilian reais (about €19,000) in non-pecuniary damages as well as 96,465,103 Brazilian reais (about €23 million) in pecuniary damages, plus interest. On July 8, 2015 Ampla appealed the decision with the *Tribunal de Justiça* of Rio de Janeiro and the parties are awaiting a ruling.

Decisions are still pending with regard to the remaining four suits. The value of all the disputes is estimated at about 464 million Brazilian reais (about €107 million).

Coperva litigation - Brazil

As part of the project to expand the grid in rural areas of Brazil, in 1982 Companhia Energética do Ceará SA ("Coelce"), then owned by the Brazilian government and now an Enel Group company, had entered into contracts for the use of the grids of a number of cooperatives established specifically to pursue the expansion project. The contracts provided for the payment of a monthly fee by Coelce, which was also required to maintain the networks. Those contracts, between cooperatives established in special circumstances and the then public-sector company, do not specifically identify the grids governed by the agreements, which has prompted a number of the cooperatives to sue Coelce asking for, among other things, a revision of the fees agreed in the contracts. These actions include the suit filed by Cooperativa de Eletrificação Rural do V do Acarau Ltda ("Coperva") with a value of about 218 million Brazilian reais (about €53 million). Coelce was granted rulings in its favor from the trial court and the court of appeal, but Coperva filed a further appeal (*Embargo de Declaração*), which was denied in a ruling of January 11, 2016. Coperva lodged an extraordinary appeal before the *Superior Tribunal de Justiça* on February 3, 2016, which was granted on November 5, 2018 for the ruling issued in the previous appeal (*Embargo de Declaração*). On December 3, 2018, Enel filed an appeal (*Agravo Interno*) against this ruling of the *Superior Tribunal de Justiça*. The proceedings are currently pending.

AGM litigation - Brazil

In 1993, Enel Distribuição Goiás, the Association of Municipalities of Goiás (AGM), the state of Goiás and the Bank of Goiás reached an agreement (*convenio*) for the payment of municipal debts to Enel Distribuição Goiás through the transfer of the portion of ICMS (VAT) that the state would have transferred to those governments. In 2001 the parties to the agreement were sued by the individual municipal governments to obtain a ruling that the agreement was invalid, a position then upheld by the Supreme Federal Court on the grounds of the non-participation of the local governments themselves in the agreement process. In September 2004, Enel Distribuição Goiás reached a settlement with 23 municipalities. Between 2007 and 2008, Enel Distribuição Goiás was again sued on numerous occasions (there are currently 90 pending suits) seeking the restitution of amounts paid under the agreement. Despite the ruling that the agreement was void, Enel Distribuição Goiás argues that the payment of the debts on the part of the local governments is legitimate, as electricity was supplied in accordance with the supply contracts and, accordingly, the claims for restitution of amounts paid should be denied. The total value of the suits is equal to about 1 billion Brazilian reais (about €231 million).

It is important to note that as part of the privatization of Enel Distribuição Goiás, a tax relief mechanism was introduced that allows Enel Distribuição Goiás to offset its ICMS (VAT) liability with a tax credit in respect of investments by Enel Distribuição Goiás in the development and maintenance of its grid.

ANEEL litigation - Brazil

In 2014, Enel Distribuição São Paulo initiated an action before the federal courts seeking to void the administrative measure of ANEEL (the National Electricity Agency), which in 2012 retroactively introduced a negative coefficient to be applied in determining rates for the following regulatory period (2011-2015). With this provision, the Authority ordered the restitution of the value of some components of the network previously included in rates because they were considered non-existent and rejected Enel Distribuição São Paulo's request to include additional components in rates. On September 9, 2014, the administrative measure of ANEEL was suspended on a precautionary basis. The first-instance proceeding is in its preliminary stages and the value of the suit is 833 million Brazilian reais (about €185 million).

Neoenergia arbitration - Brazil

On June 18, 2018, Neoenergia brought an arbitration action against Enel Distribuição São Paulo before the *Câmara de Arbitragem do Mercado* (CAM) concerning the investment agreement signed by the two companies on April 16, 2018. Neoenergia alleged unequal treatment of the participants in the procedure for the acquisition of Enel Distribuição São Paulo. On September 3, 2018, Neoenergia modified its claim, abandoning its request for specific execution of the obligation contained in the contract. The current claim is a request for damages for losses caused by alleged non-performance of the investment agreement. The value of the dispute is currently undetermined.

El Quimbo - Colombia

A number of legal actions ("*acciones de grupo*" and "*acciones populares*") brought by residents and fishermen in the affected area are pending with regard to the El Quimbo project for the construction of a 400 MW hydroelectric plant in the region of Huila (Colombia). More specifically, the first *acción de grupo*, currently in the preliminary stage, was brought by around 1,140 residents of the municipality of Garzón, who claim that the construction of the plant would reduce their business revenue by 30%. A second action was brought, between August 2011 and December 2012, by residents and businesses/associations of five municipalities of Huila claiming damages related to the closing of a bridge (Paso El Colegio). With regard to *acciones populares*, or class action lawsuits, in 2008 a suit was filed by a number of residents of the area demanding, among other things, that the environmental permit be suspended. Another *acción popular* was brought by a number of fish farming companies over the alleged impact that filling the El Quimbo basin would have on fishing in the Betania basin downstream from El Quimbo. In February 2015, the Court ordered the precautionary suspension of filling operations until a number of specific requirements have been met.

The precautionary suspension was subsequently modified to permit filling to proceed, which began on June 30, 2015. However, on July 17, 2015 Emgesa received a notice modifying the precautionary measure to prohibit generation activities until ANLA (the national environmental authority) certifies that the company removed the biomass and forest waste from the El Quimbo reservoir basin.

Pending the ruling, as an energy emergency has been declared, the Ministry of Energy issued a decree authorizing Emgesa to begin generation. On December 16, 2015, the Constitutional Court ruled that the presidential Decree was unconstitutional and as from that date Emgesa suspended electricity generation.

On December 24, 2015, the *Ministerio de Minas y Energía* and AUNAP (the authority for agriculture and fishing) filed a joint motion asking the criminal court to authorize generation as a precautionary measure. On January 8, 2016, the court granted the precautionary measure requested by the Ministry and AUNAP, authorizing the temporary and immediate resumption of generation at El Quimbo. The precautionary measure granted by the court would remain in force until the Huila court issued a ruling on the substance of the case, i.e. the revocation or upholding of the precautionary measure previously issued by the local administrative court. With a decision of February 22, 2016, the Huila court issued a ruling allowing generation to continue for six months. The court ordered Emgesa to prepare a technical design that would ensure compliance with oxygen level requirements and to provide collateral of about 20,000,000,000 Colombian pesos (about €5.5 million). In a ruling of the Administrative Court of Huila of April 11, 2016 the temporary revocation of the precautionary injunction was upheld for a period of six months until October 16, 2016, which was subsequently extended for a further six months as from February 2017. Following the deadline for the suspension of the precautionary injunction in August 2017, in the absence of contrary court rulings the El Quimbo plant is continuing to generate electricity as the oxygenation system installed by Emgesa has so far demonstrated that it can maintain the oxygen levels required by the court. The proceeding is currently stalled as the Court evaluates a proposed settlement between the parties, submitted on

November 27, 2017, which has also been notified to the competent authorities. On January 24, 2018, the Court of Huila rejected the settlement agreement, a ruling that has been appealed by the parties.
On March 22, 2018, ANLA and CAM jointly presented the final report on the monitoring of water quality downstream of the dam of the El Quimbo hydroelectric plant. Both authorities confirmed the compliance of Emgesa with the oxygen level requirements. On June 15, 2018, Emgesa filed its final pleadings and is waiting for the court to issue its ruling.

Nivel de Tensión Uno proceedings - Colombia

This dispute involves an "*acción de grupo*" brought by Centro Médico de la Sabana hospital and other parties against Codensa seeking restitution of allegedly excess rates. The action is based upon the alleged failure of Codensa to apply a subsidized rate that they claim the users should have paid as *Tensión Uno* category users (voltage of less than 1 kV) and owners of infrastructure, as established in Resolution 82/2002, as amended by Resolution 97/2008. The suit is at a preliminary stage. The estimated value of the proceeding is about 337 billion Colombian pesos (about €96 million).

Emgesa and Codensa arbitration proceedings - Colombia

On December 4, 2017, Enel Américas SA was notified by the Grupo Energía de Bogotá ("GEB") (which holds about 51.5% of Emgesa and Codensa) of the start of arbitration proceedings before the *Centro de Arbitraje y Conciliación de la Cámara de Comercio de Bogotá*.
GEB has filed a claim of about 63,619,000,000 Colombian pesos (about €18 million) for Codensa and 82,820,000,000 Colombian pesos (about €23 million) for Emgesa.
On August 22, 2018, Enel Américas was informed that GEB had abandoned its action. On October 8, 2018, GEB announced it was seeking a new arbitration proceeding against Enel Américas SA before the Arbitration Board of Bogotá, the content of which had not yet been disclosed.

SAPE (formerly Electrica) arbitration proceedings - Romania

On April 20, 2016 SAPE submitted a further request for arbitration before the International Chamber of Commerce in Paris in respect of Enel SpA and Enel Investment Holding BV concerning an alleged contractual breach for failure to distribute dividends from E-Distribuție Muntenia and Enel Energie Muntenia. In September 2016 SAPE modified its arbitration claims, suing Enel Energie Muntenia and E-Distribuție Muntenia as well and revising its monetary claim to about €56 million. On May 22, 2017 SAPE again modified its claim, quantifying it in the amount of about €110 million plus interest. A hearing was held in the first week of October 2018 and the ruling of the arbitrators is pending.

Gabčíkovo dispute - Slovakia

Slovenské elektrárne ("SE") is involved in a number of cases before the national courts concerning the 720 MW Gabčíkovo hydroelectric plant, which is administered by Vodohospodárska Výsatavba Štátny Podnik ("VV") and whose operation and maintenance, as part of the privatization of SE in 2006, had been entrusted to SE for a period of 30 years under a management agreement (the VEG Operating Agreement).
Immediately after the closing of the privatization, the Public Procurement Office (PPO) filed suit with the Court of Bratislava seeking to void the VEG Operating Agreement on the basis of alleged violations of the regulations governing public tenders, qualifying the contract as a service contract and as such governed by those regulations. In November 2011 the trial court ruled in favor of SE, whereupon the PPO immediately appealed the decision.
In parallel with the PPO action, VV also filed a number of suits, asking in particular for the voidance of the VEG Operating Agreement.
On December 12, 2014, VV withdrew unilaterally from the VEG Operating Agreement, notifying its termination on March 9, 2015, for breach of contract. On March 9, 2015, the decision of the appeals court overturned the ruling of the trial court and voided the contract as part of the action pursued by the PPO. SE lodged an extraordinary ap-

peal against that decision before the Supreme Court. At a hearing of June 29, 2016, the Supreme Court denied the appeal. SE then appealed the ruling to the Constitutional Court, which denied the appeal on January 18, 2017.
In addition, SE lodged a request for arbitration with the Vienna International Arbitral Centre (VIAC) under the VEG Indemnity Agreement. Under that accord, which had been signed as part of the privatization between the National Property Fund (now MH Manazment) of the Slovak Republic and SE, the latter is entitled to an indemnity in the event of the early termination of the VEG Operating Agreement for reasons not attributable to SE. The arbitration court rejected the objection that it did not have jurisdiction and the arbitration proceeding continued to examine the merits of the case, with a ruling on the amount involved being deferred to any subsequent proceeding. On June 30, 2017, the arbitration court issued its ruling denying the request of SE.
In parallel with the arbitration proceeding launched by SE, both VV and MH Manazment filed two suits in the Slovakian courts to void the VEG Indemnity Agreement owing to the alleged connection of the latter with the VEG Operating Agreement. These proceedings were joindered and, on September 27, 2017, a hearing was held before the Court of Bratislava in which the judge denied the request of the plaintiffs for procedural reasons. Both VV and MH Manazment appealed that decisions and the proceedings are under way. In addition, at the local level, SE was sued by VV for alleged unjustified enrichment (estimated at about €360 million plus interest) for the period from 2006 to 2015. SE filed counter-claims for all of the proceedings under way. Finally, in another proceeding before the Court of Bratislava, VV asked for SE to return the fee for the transfer from SE to VV of the technology assets of the Gabčíkovo plant as part of the privatization, with a value of about €43 million plus interest. The parties exchanged briefs and at the last hearing on December 6, 2018, the court again adjourned the case without specifying a date.

Precautionary administrative proceeding and Chucas arbitration

PH Chucas SA ("Chucas") is a special purpose entity established by Enel Green Power Costa Rica SA after it won a tender organized in 2007 by the Instituto Costarricense de Electricidad ("ICE") for the construction of a 50 MW hydroelectric plant and the sale of the power generated by the plant to ICE under a build, operate and transfer contract ("BOT"). The agreement provides for Chucas to build and operate the plant for 20 years, before transferring it to ICE. Under the BOT contract, the plant should have entered service on September 26, 2014. For a number of reasons, including flooding, landslides and similar events, the project experienced cost overruns and delays, with a consequent delay in meeting the obligation to deliver electricity. In view of these developments, in 2012 and 2013 Chucas submitted an administrative petition to ICE to recover the higher costs incurred and obtain a postponement of the entry into service of the plant. ICE denied the petition in 2015 and in fact levied two fines of about $9 million (about €7 million) for the delays in entering service. Following the precautionary appeal of Chucas, payment of the fines was suspended. The plant entered service in December 2016.
In addition, as ICE had rejected the administrative petition, on May 27, 2015, under the provisions of the BOT contract, Chucas initiated an arbitration proceeding before the *Cámara Costarricense-Norteamericana de Comercio* (AMCHAM CICA) seeking reimbursement of the additional costs incurred to build the plant and as a result of the delays in completing the project as well as voidance of the fine levied by ICE. In a decision issued in December 2017, the arbitration board ruled in Chucas' favor, granting recognition of the additional costs in the amount of about $113 million (about €91 million) and legal costs and ruling that the fines should not be paid. ICE appealed the arbitration ruling in the local courts. Chucas filed a brief as part of the litigation and the proceeding is under way.

In addition, on October 3, 2015, in consideration of the violation of a number of contractual obligations (including failure to meet the deadline to complete the works) on the part of FCC Construcción América SA and FCC Construcción SA (FCC) – which had been engaged to build some of the works for the hydroelectric plant – Chucas notified the parties that it was terminating the contract for breach, enforcing the guarantees issued to it. However, the guarantees have not yet been paid pending resolution of a precautionary proceeding initiated by FCC on October 27, 2015, at the International Court of Arbitration in Paris. In a filing of March 10, 2017, FCC requested a ruling that the contract had been terminated without cause and asked for damages of about $27 million (about €22 million). In a brief filed in May 2017, Chucas, in addition to asking for the plaintiff's claims to be denied, filed a counter-claim to obtain confirmation of termination of contract for non-performance, asking for damages of at least $38 million (about €30 million). On December 9, 2018, the ruling of the arbitrators was issued, declaring valid Chucas' termination of the contract for breach. On December 4, 2018, Chucas received payment of about $12 million (about €11 million) in execution of the arbitration ruling.

GasAtacama Chile - Chile

On August 4, 2016, the *Superintendencia de Electricidad y Combustibles* ("SEC") fined GasAtacama Chile $8.3 million for information provided by the latter to the CDEC-SING (*Centro de Despacho Económico de Carga*) between January 1, 2011 and October 29, 2015, relating to the Minimum Technical and Minimum Operating Time variables at the Atacama plant.

GasAtacama Chile appealed this measure with the SEC, which denied the appeal on November 2, 2016. GasAtacama Chile appealed this decision before the Santiago Court of Appeals and the proceeding is close to a ruling. In parallel, GasAtacama Chile also filed an appeal before the Constitutional Court, claiming that the legal provisions under which the SEC imposed the fine had been repealed at the time the penalty was issued. On July 17, 2018, the Constitutional Court rejected GasAtacama Chile's appeal.

In relation to this issue, some operators of the *Sistema Interconectado del Norte Grande* (SING), including Aes Gener SA, Eléctrica Angamos SA and Engie Energía Chile SA have initiated actions in order to obtain damages in an amount of about €58 million (the former) and about €141 million (the latter two). The disputes were joindered in part in a single proceeding and are currently pending.

Tax litigation in Brazil

Withholding tax - Ampla

In 1998, Ampla Energia e Serviços SA ("Ampla") financed the acquisition of Coelce with the issue of bonds in the amount of $350 million ("Fixed Rate Notes" – FRN) subscribed by its Panamanian subsidiary, which had been established to raise funds abroad. Under the special rules then in force, subject to maintaining the bond until 2008, the interest paid by Ampla to its subsidiary was not subject to withholding tax in Brazil.

However, the financial crisis of 1998 forced the Panamanian company to refinance itself with its Brazilian parent, which for that purpose obtained loans from local banks. The tax authorities considered this financing to be the equivalent of the early extinguishment of the bond, with the consequent loss of entitlement to the exemption from withholding tax.

In December 2005, Ampla carried out a spin-off that involved the transfer of the residual FRN debt and the associated rights and obligations to Ampla Investimentos e Serviços SA.

On November 6, 2012, the *Câmara Superior de Recursos Fiscais* (the highest level of administrative courts) issued a ruling against Ampla, for which the company promptly asked that body for clarifications. On October 15, 2013, Ampla was notified of the denial of the request for clarification (*Embargo de Declaração*), thereby upholding the previous adverse decision. The company provided security for the debt and on June 27, 2014 continued litigation before the ordinary courts (*Tribunal de Justiça*).

In December 2017, the court appointed an expert to examine the issue in greater detail in support of the future ruling. In September 2018, the expert submitted a report, requesting additional documentation.

In December 2018, the company provided the additional documentation and is awaiting the court's assessment of the arguments and documents presented.

The amount involved in the dispute at December 31, 2018 was about €286 million.

PIS - Eletropaulo

In July 2000, Eletropaulo filed suit seeking a tax credit for PIS (*Programa Integração Social*) paid in application of regulations (Decree Laws 2.445/1988 and 2.449/1988) that were subsequently declared unconstitutional by the *Supremo Tribunal Federal* (STF). In May 2012, the *Superior Tribunal de Justiça* (STJ) issued a final ruling in favor of the company that recognized the right to the credit.

In 2002, before the issue of that favorable final ruling, the company had offset its credit against other federal taxes. This behavior was contested by the federal tax authorities but the company, claiming it had acted correctly, challenged in court the assessments issued by the federal tax authorities. Following defeat at the initial level of adjudication, the company appealed.

The amount involved in the dispute at December 31, 2018 was about €144 million.

ICMS - Ampla, Coelce and Eletropaulo

The states of Rio de Janeiro, Ceará and São Paulo issued a number of tax assessments against Ampla Energia e Serviços SA (for the years 1996-1999 and 2007-2017), Companhia Energética do Ceará (2003, 2004 and 2006-2012) and Eletropaulo (2008-2017), challenging the deduction of ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*) in relation to the purchase of certain non-current assets. The companies challenged the assessments, arguing that they correctly deducted the tax and asserting that the assets, the purchase of which generated the ICMS, are intended for use in their electricity distribution activities.

The companies are continuing to defend their actions at the various levels of adjudication.

The amount involved in the disputes totaled approximately €92 million at December 31, 2018.

Withholding tax - Endesa Brasil

On November 4, 2014, the Brazilian tax authorities issued an assessment against Endesa Brasil SA (now Enel Brasil SA) alleging the failure to apply withholding tax to payments of allegedly higher dividends to non-resident recipients.

More specifically, in 2009, Endesa Brasil, as a result of the first-time application of the IFRS-IAS, had cancelled goodwill, recognizing the effects in equity, on the basis of the correct application of the accounting standards it had adopted. The Brazilian tax authorities, however, asserted – during an audit – that the accounting treatment was incorrect and that the effects of the cancellation should have been recognized through profit or loss. As a result, the corresponding value (about €202 million) was reclassified as a payment of income to non-residents and, therefore, subject to withholding tax of 15%.

It should be noted that the accounting treatment adopted by the company was agreed with the external auditor and also confirmed by a specific legal opinion issued by a local firm specializing in corporate law.

The first two levels of the administrative courts ruled – in July 2016 and September 2018 respectively – for the tax authorities. The company will continue its defend its actions and the appropriateness of the accounting treatment at the third level of jurisdiction.

The overall amount involved in the dispute at December 31, 2018 was about €64 million.

PIS - Eletropaulo

In December 1995, the Brazilian government increased the rate of the federal PIS (*Programa Integração Social*) tax from 0.50% to 0.65% with the issue of a provisional measure (Executive Provisional Order).

Subsequently, the provisional measure was re-issued five times before its definitive ratification into law in 1998. Under Brazilian legislation, an increase in the tax rate (or the establishment of a new tax) can only be ordered by law and take effect 90 days after its publication.

Eletropaulo therefore filed suit arguing that an increase in the tax rate would only have been effective 90 days after the last Provisional Order, claiming that the effects of the first four provisional measures should be considered void (since they were never ratified into law). This dispute ended in April 2008 with recognition of the validity of the increase in the PIS rate starting from the first provisional measure.

In May 2008, the Brazilian tax authorities filed a suit against Eletropaulo to request payment of taxes corresponding to the rate increase from March 1996 to December 1998. Eletropaulo has fought the request at the various levels of adjudication, arguing that the time limit for the issue of the notice of assessment had lapsed. In particular, since more than five years have passed since the taxable event (December 1995, the date of the first provisional measure) without issuing any formal instrument, the right of the tax authorities to request the payment of additional taxes and the authority to undertake legal action to obtain payment has been challenged.

In 2017, following the unfavorable decisions issued in previous rulings, Eletropaulo filed an appeal in defense of its rights and its actions with the *Superior Tribunal de Justiça* (STJ) and the *Supremo Tribunal Federal* (STF). The proceedings are still pending while the amounts subject to dispute have been covered by a bank guarantee.

In this last regard, it should be noted that, while awaiting the outcome of these proceedings, the Office of the Attorney General of the Brazilian National Treasury Department has submitted a request for the replacement of the bank guarantee with a deposit in court. This request was denied in September 2017, with the Attorney General's Office appealing that decision in February 2018.

The total value of the case at December 31, 2018 was about €54 million.

Tax litigation in Spain

Income tax - Enel Iberia, Endesa and subsidiaries

In 2018, the Spanish tax authorities completed a general audit involving the companies of the Group participating in the Spanish tax consolidation mechanism. This audit, which began in 2016, involved corporate income tax, value added tax and withholding taxes (mainly for the years 2012 to 2014).
With reference to the main claims, the companies involved have challenged the related assessments at the first administrative level (*Tribunal Económico-Administrativo Central* - TEAC), defending the correctness of their actions.
With regard to the disputes concerning corporate income tax, the issues for which an unfavorable outcome is considered possible amounted to about €141 million at December 31, 2018: (i) Enel Iberia is defending the appropriateness of the criterion adopted for determining the deductibility of capital losses deriving from stock sales (around €99 million) and certain financial charges (around €15 million); (ii) Endesa and its subsidiaries are defending the appropriateness of the criteria adopted for the deductibility of certain financial charges (about €22 million) and costs for decommissioning nuclear power plants (about €5 million).

Income taxes - Enel Green Power España SL

On June 7, 2017, the Spanish tax authorities issued a notice of assessment to Enel Green Power España SL, contesting the treatment of the merger of Enel Unión Fenosa Renovables SA ("EUFER") into Enel Green Power España SL in 2011 as a tax neutral transaction, asserting that the transaction had no valid economic reason.
On July 6, 2017, the company appealed the assessment at the first administrative level (*Tribunal Económico-Administrativo Central* - TEAC), defending the appropriateness of the tax treatment applied to the merger. During the proceeding, the company will provide all the supporting documentation demonstrating the synergies achieved as a result of the merger in order to prove the existence of a valid economic reason for the transaction.
The total value involved in the proceeding as at December 31, 2018 was about €90 million. This amount has been secured with bank guarantees to obtain a suspension of collection efforts.

53. Events after the reporting period

Issue of new €1 billion green bond in Europe

On January 14, 2019, Enel Finance International NV ("EFI"), an Enel Group finance company controlled by Enel SpA ("Enel", rated BBB+ for S&P, Baa2 for Moody's, and BBB+ for Fitch), successfully placed its third green bond on the European market, reserved for institutional investors and backed by a guarantee issued by Enel. The issue amounts to a total of €1,000 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 was set at 98.565% and the effective yield at maturity is equal to 1.736%. The settlement date for the issue was January 21, 2019.
The green bond is expected to be listed on the Irish Stock Exchange, on the Luxembourg Stock Exchange and be admitted to trading on the multilateral trading facility "ExtraMOT PRO" organized and operated by Borsa Italiana. It is also expected that the green bond will be assigned ratings in line with those of Enel.
The transaction has received subscriptions amounting to more than €4.2 billion, with the significant participation of Socially Responsible Investors ("SRI"), enabling the Enel Group to continue to diversify its investor base.

Agreement to sell 540 MW of renewables capacity in Brazil for €700 million

On January 16, Enel SpA ("Enel"), acting through its renewables subsidiary Enel Green Power Brasil Participações Ltda ("EGP Brazil"), signed agreements with Chinese company CGN Energy International Holdings Co. Limited ("CGNEI") for the sale of 100% of three renewable generation plants totaling 540 MW. The overall price in the transaction, to be paid at closing, is equal to the assets' enterprise value and amounts to approximately 2.9 billion Brazilian reais, equivalent to around €700 million at current exchange rates.

The three operating renewable assets being sold are the solar plants Nova Olinda (292 MW), located in the north-eastern Brazilian state of Piauí, and Lapa (158 MW), situated in the north-eastern Brazilian state of Bahia, as well as the 90 MW Cristalândia wind farm, also in Bahia.

Enel Green Power España starts construction of 90 MW of new wind capacity in Spain

Enel Green Power España has started construction of three wind farms with an overall capacity of around 90 MW located across the municipalities of Allueva, Fonfría, Mezquita de Jarque, Fuentes Calientes, Cañada Vellida and Rillo in the Spanish province of Teruel, in the region of Aragon. The total investment in the three facilities amounts to approximately €88 million. The three wind farms are slated to enter service by the end of 2019, and once completed they will generate over 295 GWh per year, while avoiding the annual emission of some 196 thousand metric tons of CO_2 into the atmosphere. The expected capacity of the 7-turbine Allueva plant exceeds 25 MW, while that of the 4-turbine Sierra Pelarda wind farm, situated in Fonfría, is about 15 MW. The largest of the three facilities is the 14-turbine Sierra Costera I, which will boast a capacity of around 50 MW and is located across the municipalities of Mezquita de Jarque, Fuentes Calientes, Cañada Vellida and Rillo.

Board of Directors of Enel Américas calls extraordinary shareholders' meeting to approve capital increase of up to $3.5 billion

On February 28, 2019, Enel SpA ("Enel") announced that the Board of Directors of the Chilean subsidiary Enel Américas SA ("Enel Américas"), of which Enel owns 51.8%, has called an extraordinary shareholders' meeting for April 30, 2019 to approve a capital increase of up to $3.5 billion, to be fully subscribed in cash. The increase is expected to be carried out through the issue of new ordinary shares and American Depositary Shares ("ADSs") to be offered in pre-emption to shareholders in proportion to the number of shares/ADSs they hold.

Through the capital increase Enel Américas, according to the proposal of its Board of Directors, will seek to enhance its financial position to pursue new opportunities for organic and inorganic growth, both through minority buyouts and M&As, optimizing cash flows and improving its debt level. Moreover, the capital increase will enable an increase in the free float and capitalization of Enel Américas.

Enel Américas invests in electricity generation and distribution in Argentina, Brazil, Colombia and Peru. With an installed capacity of over 11 GW and more than 24 million customers, it is the largest private electricity company in South America.

Amendment of regulatory framework for hydroelectric concessions

The changes introduced with Decree Law 135 of December 14, 2018, concerning simplification and development support (the "Simplification Act"), ratified into law in February 2019, included the amendment of certain aspects of the regulatory framework for hydroelectric concessions.

The main changes concern: i) the extension for consideration of expired concessions (a situation regarding entities that do not belong to the Enel Group) until 2023, ii) the regulation of the reassignment of concessions upon their expiry; and iii) the mechanism for indemnifying the outgoing concessionaire for the transfer of the assets related to the hydroelectric concession.

These rules establish a series of general principles, with implementing provisions to be enacted by the regions and the competent authorities in order to regulate in detail the renewal of concessions in compliance with the principles laid down in the Constitution.

The Group is analyzing the possible consequences of the reform, which at present does not appear to produce a significant impact.

The hydroelectric concessions currently held by the Group that fall within the scope of this measure will begin to expire starting from 2029.